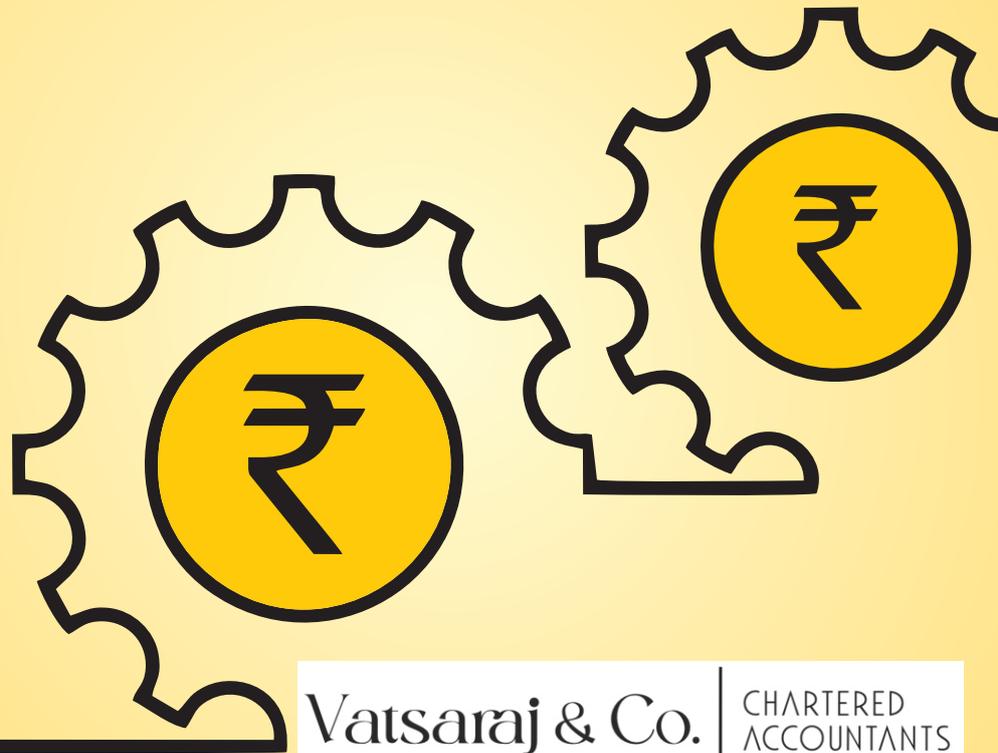


INDIA BUDGET 2026-27



Vatsaraj & Co. | CHARTERED
ACCOUNTANTS

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This booklet summarises the important proposals included in the budget speech made by the Honourable Finance Minister on 1st February, 2026. Whilst every care has been taken in the preparation of this document it may contain inadvertent errors for which we shall not be held responsible. It must be stressed that the Finance Bill may contain proposals which have not been referred to in the budget speech and additionally, the detailed proposals are liable to amendment during the passage of the Finance Bill through Parliament. The information given in this document provides a bird's-eye view on the changes proposed and should not be relied for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.

CONTENTS

Foreword..... 02

Economic Survey–Key Highlights..... 04

Key Policy Announcements 05

Rates of Taxes 08

Personal Taxation..... 14

Business Income..... 16

Capital Gains 19

Trusts / Co-operative Societies..... 21

Income from House Property 24

Income from Other Sources 25

Tax Incentives for Units in IFSC..... 26

Exempt Income 28

Tax Compliance 30

Penalty and Prosecution..... 37

Black Money Act, 2015 43

Tax Deducted at Source/Tax Collected at Source 46

Overview of TDS Rates for the Tax Year 2026-27 47

Overview of TCS Rates for the Tax Year 2026-27 61

Goods and Service Tax Act..... 64

Customs Act, 1962..... 69

Excise Duty 85

INDIA BUDGET 2026-27

FOREWORD.....

On 1st February 2026, Union Finance Minister Smt. Nirmala Sitharaman presented the Union Budget 2026-27 a historic first delivered on a Sunday and the first prepared in Kartavya Bhawan (Common Central Secretariat building). Presented on the sacred occasion of Magha Purnima and Guru Ravidas's birth anniversary, this Budget articulates India's transformation agenda toward Viksit Bharat (India's initiative for developed nation) by 2047, guided by three 'kartavyas': accelerating economic growth through enhanced productivity and competitiveness; fulfilling people's aspirations and building their capacity as partners in India's prosperity; and ensuring equitable access to resources across families, communities, regions, and sectors.

The macro-fiscal architecture demonstrates India's sustained economic resilience. Total expenditure for FY 2026-27 is estimated at INR 53.5 lakh crore against non-debt receipts of INR 36.5 lakh crore, with the Centre's net tax receipts projected at INR 28.7 lakh crore. The fiscal deficit is targeted at 4.3 percent of GDP, down from 4.4 percent in FY 2025-26, continuing the path of fiscal consolidation. The debt-to-GDP ratio is estimated to decline to 55.6 percent from 56.1 percent, gradually freeing resources for priority sector expenditure. Capital expenditure increases from INR 11.2 lakh crore in BE 2025-26 to INR 12.2 lakh crore in FY 2026-27, representing a 9 percent increase that underscores infrastructure as the foundation of long-term competitiveness.

The Budget's strategic intent becomes apparent through sectoral interventions designed around seven priorities. The Biopharma SHAKTI initiative (₹10,000 crore over five years) reimagines India's role in global biopharmaceuticals by establishing three new NIPERs, upgrading seven existing ones, and creating over 1,000 accredited clinical trial sites to transform India from manufacturing hub to integrated research and innovation powerhouse. The textile sector receives an integrated approach through five interconnected programmes, while the INR 10,000 crore SME Growth Fund creates 'Champion' MSMEs capable of global competition. Seven High-Speed Rail corridors linking major cities as 'growth connectors,' new Dedicated Freight Corridors, and 20 National Waterways reflect a multi-modal infrastructure vision. City Economic Regions, each receiving INR 5,000 crore over five years, recognize cities as distinct economic engines with unique growth drivers.

Tax reforms signal a fundamental shift from complexity to simplification. The New Income Tax Act, 2025, effective April 2026, substantially reduces the Act's size while employing clearer language, acknowledging that tax certainty and ease of compliance are economic enablers. Integration of assessment and penalty proceedings, reduction of pre-payment at first appellate level from 20 percent to 10 percent of core tax demand, extension of revised return filing to March, and staggered filing timelines represent a recalibration toward cooperation rather than confrontation. TCS rationalization to uniform 2 percent for tour packages and education/medical remittances under LRS addresses cash flow concerns, while centralized Form 15G/15H acceptance through depositories transforms compliance from burden to facilitation.



INDIA BUDGET 2026-27

The IT sector receives strategic support through consolidation of service categories under a single umbrella with 15.5 percent safe harbour, threshold increase from INR 300 crore to INR 2,000 crore, automated approval, and five-year continuity. The commitment to fast-track Advance Pricing Agreements within two years signals intent to reduce transfer pricing disputes. Perhaps most audacious is the tax holiday until 2047 for foreign service providers operating through Indian data centres, a 21-year commitment fundamentally altering global cloud infrastructure economics. By requiring services to Indian customers flow through Indian resellers while providing 15 percent cost safe harbour for related parties, the Government achieves dual objectives: attracting global investment while ensuring domestic value capture. This transforms India from operational consideration to strategic imperative for technology multinationals making infrastructure decisions today.

In capital markets, STT increases on futures (0.02 percent to 0.05 percent) and options (to uniform 0.15 percent) reflect concern about excessive speculation diverting capital from productive investment. Proposals for a High-Level Committee on Banking for Viksit Bharat and restructuring of Power Finance Corporation indicate forthcoming financial architecture reforms. Customs policy reveals nuanced balancing: systematic elimination of duty exemptions where domestic capacity exists provides clarity, while targeted exemptions for lithium-ion cells, defence capabilities, and nuclear infrastructure signal sectoral priorities. Extended export timelines for leather and textiles (six months to one year) and tripled duty-free limits for seafood processing demonstrate understanding of export sector operational realities.

Viewed holistically, the Budget balances fiscal discipline with growth investment, simplifies compliance while protecting revenue, supports domestic industries while promoting exports, and attracts foreign investment while ensuring domestic value creation. For multinational corporations, this crystallizes both opportunity and obligation. The opportunity lies in aligning strategies with declared priorities and the obligation is navigating evolving compliance landscapes with diligence while positioning organizations to capitalize on India's transformation trajectory.

As India embarks on its decisive decade toward Viksit Bharat by 2047, multinational corporations face a choice: to be passive participants or active architects of this transformation. The Budget 2026-27 provides the policy framework and signals the Government's intentions; success depends on how organizations interpret these signals, adapt strategies, and execute plans.

INDIA BUDGET 2026-27

ECONOMIC SURVEY–KEY HIGHLIGHTS

The Indian economy continues to exhibit robust resilience, despite global economic uncertainty and impact of tariffs. Despite global headwinds, India's external position remains stable, though currency volatility persists. The government has maintained its path of fiscal consolidation. The RBI has calibrated its stance to support growth while keeping inflation anchored.

Key Economic Indicators

- **Annual GDP Growth Rate:** 6.50% in FY 2024-25 to estimated 7.40% in FY 2025-26. Projection of 6.5% to 7.0% for FY 2026-27.
- **Per Capita Income:** Increased from INR 1.86 lakh to INR 2.05 lakh
- **Fiscal Deficit:** reduced to 4.40% of GDP in FY 26 from 4.80% in FY25, projected to reduce to 4.30% in FY 27 – below the target of 4.50%.
- **Net Direct Tax Collections** reached INR 18.38 lakh crores in January 2026.
- A record 7.30 crore ITRs were filed for AY 2025-26, a 0.27% increase.
- **Gross GST Collections** for April-Dec 2025 was INR 17.40 lakh crores.
- **Repo Rate** was reduced by 125 basis points to 5.25%, while the **Reverse Repo Rate** remains unchanged at 3.35%.
- **CPI Inflation** fell from 5.22% in Dec-24 to (provisional) 1.33% in Dec-25.
- **Forex Reserves:** all-time high of \$702.79 Billion in September 2025.
- **FDI inflows:** 14% rise to \$81.04 billion in FY 2024–25 from \$71.28 billion in FY 2023–24. In 2013-14 was \$36.05 billion
- **Trade Performance (up to Dec 31, 2025):**
 - Exports: \$634.26 Billion (+4.33% growth).
 - Imports: \$730.84 Billion (+4.95% growth).
 - Trade Deficit: \$96.58 Billion, slight increase from \$88.43 Billion
- 1. **Investor Base:** The number of unique investors crossed the 12-crore mark in September 2025, with women constituting nearly 25% of this group.
- 2. **Demat Growth:** up to December 2025, 235 lakh new demat accounts were added, bringing the total count beyond 21.6 crore.



KEY POLICY ANNOUNCEMENTS

1. New Income Tax Act:

The Income-tax Act, 2025 will come into force from 1 April 2026, replacing the existing Income-tax Act, 1961. The accompanying Rules and Forms are proposed to be notified shortly and will be comprehensively restructured to reduce complexity, improve compliance efficiency, and lower the incidence of disputes.

2. Ease of Living for Taxpayers:

- The window for filing revised returns has been extended up to 31 March from existing 31 December, allowing taxpayers to correct filings by paying nominal fee.
- Staggered return filing timelines have been introduced to ease compliance pressure.
- Interest awarded by Motor Accident Claims Tribunals to individuals has been exempted from tax, with the associated TDS requirement removed.
- For transactions involving the purchase of immovable property from non-residents, a PAN-based challan mechanism has been proposed to replace the requirement to obtain a TAN.
- Depositories have been authorised to directly transmit Form 15G and Form 15H to companies, simplifying compliance for investors.

3. Rationalisation of TDS and TCS:

- TCS rates under the Liberalised Remittance Scheme for overseas tour packages, education and medical remittances have been standardised at 2%.
- TCS on certain domestic transactions, including alcoholic liquor, scrap, minerals and tendu leaves, has also been rationalised to a uniform rate of 2%.
- Manpower supply services have been expressly brought within the scope of contractor payments for TDS purposes to address interpretational ambiguity.
- An automated system for granting lower or nil TDS certificates has also been proposed, particularly benefiting smaller taxpayers.

INDIA BUDGET 2026-27

4. One-Time Foreign Assets Disclosure Scheme:

A one-time compliance window has been introduced for small taxpayers and returning non-resident Indians to disclose undisclosed foreign income and assets within prescribed thresholds. The scheme allows eligible taxpayers to regularise past non-compliance upon payment of specified tax and fee, while granting immunity from penalty and prosecution.

5. Infrastructure and Connectivity:

- Increase in public capital expenditure from INR 11.2 lakh crore to INR 12.2 lakh crore, reaffirming commitment to infrastructure-led growth
- Development of seven high-speed rail corridors connecting major economic regions
- a new Dedicated Freight Corridor linking eastern and western India, and the expansion of National Waterways to promote inland logistics.
- Allocation of INR 5,000 crore per City Economic Region over 5 years.
- An Infrastructure Risk Guarantee framework has also been proposed to support long-gestation infrastructure projects by mitigating construction-phase risks.

6. Manufacturing, Industry and Strategic Sectors:

- The India Semiconductor Mission 2.0 aims to deepen domestic capabilities across equipment, materials and intellectual property.
- The Electronics Components Manufacturing Scheme has been expanded to an outlay of INR 40,000 crore.
- The Biopharma SHAKTI initiative, with an allocation of INR 10,000 crore over the next 5 years, seeks to position India as a global biopharmaceutical manufacturing hub.
- Additional measures include the development of Rare Earth Corridors, establishment of Chemical Parks, and the launch of a Container Manufacturing Scheme with an allocation of INR 10,000 crores over the next 5 years to enhance supply-chain resilience.

7. MSME and Employment:

- Establishment of a INR 10,000 crore SME Growth Fund to provide equity support to scaling enterprises.
- The Self-Reliant India Fund augmented to strengthen micro enterprises to be topped up with INR 2,000 crore.



8. Textile, Traditional Industries and Sports:

- A comprehensive Textile Development Programme encompassing fibre development, skilling, sustainability and cluster modernisation has been proposed.
- Mega Textile Parks will be developed through a competitive selection process.
- Programme to rejuvenate 200 legacy industrial clusters, along with dedicated policy support to promote sports goods manufacturing as a globally competitive sector.

9. Social Sector:

- Investments commitments have been announced to expand mental health infrastructure and trauma care facilities.
- To empower Divyangjan, support for assistive technologies has been enhanced.
- Initiative to increase access to education in higher STEM institutions, through the establishment of minimum 1 girls' hostels in every district.

10. Investment limits for PROI:

Investment limits for PROI Indians in listed Indian companies through Portfolio Investment scheme have been proposed to increase from 5% to 10% with overall investment limit being extended to 24% from the current 10%.

11. Global Income of a Non- resident:

Under notified schemes the global income of non-resident experts working in India shall be exempt, subject to prescribed conditions.

12. Comprehensive review of Foreign Exchange Management (Non Debt Instruments) Rules:

With a view to create an user friendly framework for foreign investments, a comprehensive review of the Foreign Exchange Management (Non Debt Instrument) Rules have been proposed.

INDIA BUDGET 2026-27

RATES OF TAXES

1. PERSONAL INCOME TAX

(Default Tax Regime S. 202 of the Income Tax Act 2025 (2025 ACT) ; Erstwhile Section 115BAC in Income Tax Act, 1961 (1961 ACT))

a) For Individuals, HUFs, AOPs, BOIs, AJP:

Existing Slab Rates (Applicable for AY 2026-27)		Revised Slab Rates (Applicable for AY 2027-28)	
Total Income	Rate	Total Income	Rate
Up to Rs. 4,00,000	0.00%	Up to Rs. 4,00,000	0.00%
Rs. 4,00,001 to Rs. 8,00,000	5.00%	Rs. 4,00,001 to Rs. 8,00,000	5.00%
Rs. 8,00,001 to Rs. 12,00,000	10.00%	Rs. 8,00,001 to Rs. 12,00,000	10.00%
Rs. 12,00,001 to Rs. 16,00,000	15.00%	Rs. 12,00,001 to Rs. 16,00,000	15.00%
Rs. 16,00,001 to Rs. 20,00,000	20.00%	Rs. 16,00,001 to Rs. 20,00,000	20.00%
Rs. 20,00,000 to Rs. 24,00,000	25.00%	Rs. 20,00,001 to Rs. 24,00,000	25.00%
Above Rs.24,00,000	30.00%	Above Rs. 24,00,000	30.00%

b. Surcharge for Individuals, HUFs, AOPs, / BOIs, AJP:

The surcharge rates have remained unchanged. The surcharge rates are as follows:

Total Income	Rate of Surcharge	Surcharge in- respect of Income u/s 196, 197, 198 and Dividend income
Total income including dividend income under sections 196 (erstwhile Section, S. 111A of 1961 Act), 197 (erstwhile Section, S. 112 of 1961 Act), 198 (erstwhile Section, S. 112A of 1961) does not exceed Rs. 50 lakh	0%	0%
Total income (including dividend income under sections 196, 197, 198) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore	10%	10%
Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15%	15%



INDIA BUDGET 2026-27

Total Income	Rate of Surcharge	Surcharge in- respect of Income u/s 196, 197, 198 and Dividend income
Total income (excluding dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore	25%	15%
Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore and not covered by above	15%	15%

Note: 1. Assessee's would be entitled to Marginal Relief for surcharge.

2. The surcharge shall not exceed 15% in case for:

- i. Dividend Income,
- ii. Capital Gains taxed u/s 196, u/s 197 & u/s 198,
- iii. Foreign Institutional Investor - for income in the form of Dividends & Capital Gains (as referred to in S. 210 and an Association of Persons consisting of only companies as its members)

c. Surcharge in special income cases

The benefit of capping the surcharge at 15 % is available Dividend or Capitals Gain Income under sections 196, 197, 198 and dividend income.

d. Rebate for Resident Individuals

Subject to provisions of the Act, Individuals are entitled to Rebate of upto INR. 60,000/- and marginal relief where income exceeds INR 12,00,000/-.

PERSONAL INCOME TAX

(Old Regime/ Optional Regime)

The tax rates have remained the same as on the earlier year.

a. For Individuals, HUFs, AOPs, / BOIs

Total Income	Rates (%)		
	Tax Rate	Cess	Effective Rate
Up to Rs. 2,50,000	0.00%	0.00 %	0.00%
Rs. 2,50,001 to Rs. 5,00,000	5.00%	0.20 %	5.20%
Rs. 5,00,001 to Rs. 10,00,000	20.00%	0.80 %	20.80 %
Above Rs. 10,00,000	30.00%	1.20 %	31.20%

INDIA BUDGET 2026-27

b. Resident Senior Individuals (Age 60 years or more)

Total Income	Rates (%)		
	Tax Rate	Cess	Effective Rate
Up to Rs. 3,00,000	0.00%	0.00 %	0.00%
Rs. 3,00,001 to Rs. 5,00,000	5.00%	0.20 %	5.20%
Rs. 5,00,001 to Rs. 10,00,000	20.00%	0.80 %	20.80 %
Above Rs. 10,00,000	30.00%	1.20 %	31.20%

c. Resident Super Senior Individuals (Age 80 years or above)

Total Income	Rates (%)		
	Tax Rate	Cess	Effective Rate
Up to Rs. 5,00,000	0.00%	0.00 %	0.00%
Rs. 5,00,001 to Rs. 10,00,000	20.00%	0.80 %	20.80 %
Above Rs. 10,00,000	30.00%	1.20 %	31.20%

d. Surcharge for Individuals, HUFs, AOPs, BOIs, AJP:

Total Income	Rate of Surcharge	Surcharge in-respect of Income u/s 196,197,197A and Dividend
Total income (including dividend income under sections 196, 197, 198) does not exceed Rs. 50 lakh	0%	0%
Total income (including dividend income under sections 196, 197, 198) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore	10%	10%
Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15%	15%
Total income (excluding dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore but does not exceed Rs. 5 crore	25%	15%
Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore and not covered by above	15%	15%
Total income (excluding dividend income and income under sections 196, 197, 198) exceeds Rs. 5 crore	37%	15%



[Note: However, assessee would be entitled to marginal relief]

[Note: The surcharge shall not exceed 15% in case for:

- i. Dividend Income,
- ii. Capital Gains taxed u/s 196, u/s 197 & u/s 198,
- C. An Association of Persons consisting of only companies as its members]

e. Surcharge in case special income

The benefit of capping the surcharge at 15 % is available on Dividend or Capitals Gain Income taxable under Section 196, 197, 198.

f. Rebate for Resident Individuals:

The rebate u/s 156 has remained unchanged at Rs. 12,500/- for resident individuals whose total income is not exceeding Rs. 5,00,000/-. The amount of rebate will be lower of the following:

- Actual Tax Payable
- Rs. 12,500/-

Notes

(i) Revised section references in Income Tax Act 2025

Sections under Income Tax Act, 2025	Description about Section	Section under Income Tax Act, 1961
196	Tax on short-term capital gains in certain cases	111A
197	Tax on long-term capital gains	112
198	Tax on long-term capital gains in certain cases	112A
202	New tax regime for individuals, HUF and others	115BAC
210	Tax on Income of Foreign Institutional Investors from securities or capital gains arising from the transfer	115AD
207	Tax on dividends, royalty and fees for technical services in case of foreign companies.	115A
208	Tax on income from units purchased in foreign currency or capital gains arising from their transfer	115AB
209	Tax on income from bonds or Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer.	115AC

INDIA BUDGET 2026-27

Sections under Income Tax Act, 2025	Description about Section	Section under Income Tax Act, 1961
193	Tax on income from Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer.	115ACA
214	Tax on investment income and long-term capital gains.	115E
156	Rebate of income-tax in case of certain individuals.	87A

2. CO-OPERATIVE SOCIETIES

- a) In case of co-operative societies, the rates of income tax will continue to be the same as those specified for AY 2026-27. Surcharge at the rate of 7% on such income-tax will continue to be levied in case the total income of a co-operative society exceeds INR 1 crore but does not exceed INR 10 crore. Surcharge at the rate of 12% of such income-tax will continue to be levied in case of a co-operative society having a total income exceeding INR 10 crore.
- b) Marginal Relief will be provided in case of surcharge.
- c) On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 115BAD. Surcharge would be at the rate of 10% on such tax.

3. FIRMS

- In case of firms, the rates of income tax will continue to be the same as those specified for AY 2026-27. Surcharge at the rate of 12% of such income-tax will continue to be levied in case of a firm having a total income exceeding INR 1 crore. Marginal relief shall also be available.

4. LOCAL AUTHORITIES

- In case of local authorities, the rates of income tax will continue to be the same as those specified for AY 2026-27. Surcharge at the rate of 12% of such income-tax will continue to be levied in case of a local authorities having a total income exceeding INR 1 crore. Marginal relief shall also be available.

5. CORPORATE TAX FOR DOMESTIC COMPANIES:

- a) In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2024-25 does not exceed INR 400 crore and where the companies continue in section 115BA regime. In all other cases the rate of income-tax shall be 30% of the total income.



However, domestic companies may opt for taxation at the rate of 22% (with surcharge of 10% irrespective of turnover/ gross receipts) under section 115BAA subject to fulfilment of conditions contained therein.

- b) Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds INR 1 crore but does not exceed INR 10 crore. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds INR 10 crore.
- c) Marginal Relief is provided in case of surcharge.
- d) For Tax Year 2026-27, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable). No marginal relief shall be available in respect of such cess.

6. CORPORATE TAX FOR FOREIGN COMPANIES

- a) In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.
- b) In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds INR 1 crore but does not exceed Rs. 10 crore. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds INR 10 crore.
- c) Marginal relief is provided in case of surcharge.
- d) For Tax Year 2026-27, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable). No marginal relief shall be available in respect of such cess.

PERSONAL TAXATION

Exemption for Non-residents

If a person has been a non-resident for the last 5 years, their overseas income will not be taxed in India for the next 5 years, starting from the year they come to India to work under a government-approved scheme.

Recognised Provident Fund

Schedule XI of IT Act, 2025 provides detailed rules and regulations that a fund must satisfy in order to be considered as a Recognised Provident Fund ('RPF'), Approved Superannuation Fund ('ASF') and Gratuity Fund. Since the introduction of a specific monetary cap on employer contributions under Section 17(1)(h) of the IT Act, 2025 has already streamlined the tax impact, the government aims to rationalize and align the remaining provisions in Schedule XI with the standards set by Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ('EPF Act') and the Employees' Provident Fund Scheme, 1952 ('EPF Scheme'). The following amendments have been proposed in the Finance Bill, 2026. In this respect:

- **Paragraph 4(c) of Part A of Schedule XI of the IT Act, 2025**

This clause provides that employer's contribution shall not exceed the employee's contribution and requires annual crediting. This clause is proposed to be omitted in order to align with the section 17(1)(h) of the IT Act, 2025 which provides a unified monetary limit of Rs. 7,50,000/- on aggregate employer's contribution.

- **Paragraph 4(f) of Part A of Schedule XI of the IT Act, 2025**

This clause provides one of the eligibility criteria for recognition of provident funds with reference to exemption from the EPF Scheme. It is proposed to amend that a fund is eligible to apply for recognition under income tax act only if that fund has obtained exemption under section 17 of EPF Act.

- **Paragraph 5(4) of Part A of Schedule XI of the IT Act, 2025**

This provision states that CBDT may provide relaxation in paragraph 4(c) of Part A of Schedule XI of the IT Act, 2025 to particular fund in case of (1) employer's contribution exceeding the employee contribution where salary of employee does not exceed Rs. 500 per month and (2) contingent bonus structures. Since the said paragraph 4(c) itself proposed to be omitted in order to align with the unified monetary limit of Rs. 7,50,000/-, the paragraph 5(4) is also now considered redundant and is proposed to be omitted.



- **Paragraph 6(a) of Part A of Schedule XI of the IT Act, 2025**

This clause states that employer's contribution in excess of 12% of salary will be considered as income of the employee. This percentage based cap has become redundant as it overlaps with unified monetary limit of Rs. 7,50,000/- prescribed under section 17(1)(h) of IT Act, 2025. Consequently, it is proposed to be omitted vide the Finance Bill, 2026.

- **Paragraph 1(d) of Part C of Schedule XI of the IT Act, 2025**

This clause currently prescribes differentiated contribution limits for employees who are also shareholder in the company. In order to align with EPF Act and EPF Scheme which do not differentiate shareholder employee and normal employee, and also to align with the section 17(1)(h) of the IT Act, 2025, it is proposed to omit this clause.

- **Paragraph 1(e) of Part C of Schedule XI of the IT Act, 2025**

This clause currently provides restriction on investment of provident fund monies in Government securities to 50% of Fund's Corpus. This restriction is inconsistent with the investment norms set by Ministry of Labour and Employment and the Employees' Provident Fund Organisation which provides higher exposure. It is proposed to remove the limit of 50% while retaining regulatory oversight through subordinate legislation under the EPF framework.

Income of individual to include income of spouse, minor, child etc.

Clause 37 of the Finance Bill seeks to amend section 99(2) of the IT Act, 2025 so as to correct an inadvertent referencing error

Section 99(1)(a)(i) provides for inclusion in the total income of an individual of income received by the spouse by way of salary, commission, fees or any other remuneration, whether in cash or kind, from a concern in which the individual has a substantial interest, excluding income attributable solely to the application of the spouse's technical or professional knowledge, experience or qualifications.

Section 99(1)(a)(ii) provides for inclusion of income arising to the spouse from assets transferred, directly or indirectly, by the individual otherwise than for adequate consideration and not in connection with an agreement to live apart, subject to the provisions of section 25(a).

Section 99(2) provides for the manner of computing the proportion of income to be included in the hands of the individual where assets transferred to the spouse or son's wife are invested in a business or contributed as capital in a firm.

Earlier, it incorrectly referred to section 99(1)(a)(i), which does not deal with clubbing of spouse's income arising from asset transferred. However, section 99(2) erroneously refers to section 99(1)(a)(i) instead of section 99(1)(a)(ii). This reference was inadvertent.

Accordingly, clause 37 proposes to substitute, in section 99(2), the reference to "sub-section (1)(a)(i)" with "sub-section (1)(a)(ii)", to correctly align the provision with cases relating to transfer of assets.

BUSINESS INCOME

Deduction related to Employee Welfare

Employees contribution towards ESIC & PF shall be allowed as a deduction if such amount is by the assessee to its employee's account in the relevant fund on or before due date of filing of return of income.

Expansion of List of Minerals for Deferred Deduction

The list of minerals, the expenses incurred on its prospecting, extraction, production or development which is eligible for deferred deduction has been expanded to include Beryllium bearing minerals, Glauconite, Graphite etc.

Clarifying repeal and savings clause where amount allowed as deduction earlier is to be treated as income in a later year

- The current section 536(2)(h) of IT Act 2025 provides that where a deduction had been allowed or an amount had not been included in total income under the repealed IT Act, subject to fulfilment of certain conditions, and such conditions were violated in a tax year beginning on or after 1 April 2026, the amount would be deemed to be income of the year in which the violation occurred and taxed accordingly.

The clause 107 of the Finance Bill 2026 proposes to amend section 536(2)(h) to provide that any sum that has been allowed as a deduction or has not been included in total income under the repealed IT Act, then such sum shall be deemed to be income in the subsequent tax year under the IT Act 2025, even in the absence of any violation of conditions, if such sum would have been required to be included in total income due to any other reason under the provisions of the repealed IT Act had it not been repealed.

- Current Section 536(2)(l) expressly provide that the amount of credit, in respect of tax paid, allowable to be carried forward under sections 115JAA or 115JD of the repealed IT Act shall be deemed to be the amount eligible for credit under the corresponding provisions of the IT Act 2025. The amendment vide clause 107 of the finance bill 2026 seeks to make specific reference to newly inserted sub-section (3) or sub-section (4) of section 206 of the IT Act 2025 for allowability of such brought forward MAT credit.

Rationalization of Minimum Alternate Tax Provisions

- MAT tax rate reduced to 14% of the book profit.
- Under the old regime tax payable as per MAT will be the final tax payable.
- No new MAT Credit will be available under the old regime.



- For domestic companies, MAT credit to be restricted to 25% of the tax liability only under the new regime.
- Foreign companies continue to get MAT Credit as per the existing provisions.
- No MAT applicable for foreign company/non-resident engaged in the business of cruise and/or aircraft operations, and other specified businesses, who has opted for presumptive taxation.
- In case of conversion from private company or unlisted public company into Limited Liability Partnership (LLP), the MAT credit shall not be available to the successor LLP.

Clarification on Tonnage Certificates

- Section 227 of the IT Act 2025 relates to computation of tonnage income. Section 227(4) (a) provides that tonnage means the tonnage of a ship or inland vessel indicated in the certificate referred to in Section 227(9). To provide clarity, Section 227(4)(a) is proposed to be amended by substituting the word “certificate” with “valid certificate”.
- As per current Section 227(9)(b)(iii) of the IT Act 2025, in the context of inland vessel registered in India, valid certificate is defined as a certificate issued under the Inland Vessels Act, 2021. As no separate Tonnage Certificate is issued under the Inland Vessels Act, 2021 and “Certificate of registration” issued under the Inland Vessels Act, 2021 states the Net Tonnage of the Inland Vessel, the word “certificate” is proposed to be replaced with “certificate of registration” issued under the Inland Vessels Act, 2021 in the aforesaid provision.

Inclusion of onboard and onshore activities of inland vessels in Core Activities for tonnage tax purpose

Section 228 of the IT Act 2025 relates to relevant shipping income and exclusion from book profit for tonnage tax purposes. Sub-section (3)(b)(ii)(A) of the said section provides that onboard or on-shore activities of passenger ships would be included in the core activities of a tonnage company. It is proposed to amend the said provision to bring the onboard and onshore activities of inland vessels also under its purview as the core activities of tonnage company.

Training Compliance for Inland Vessels

Section 232(12) of the IT Act 2025 relates to conditions for applicability of the tonnage tax scheme. The section requires a tonnage tax company to comply with minimum training requirements for trainee officers per guidelines issued by the Director-General of Shipping and notified by the Central Government. Section 232(12) is proposed to be amended to include guidelines for inland vessels issued by the Inland Waterways Authority of India and notified by the Central Government.

INDIA BUDGET 2026-27

- Section 232(13) of the IT Act 2025 requires a tonnage tax company to furnish, with its return of income u/s 263, a certificate from the Director-General of Shipping confirming compliance with minimum training requirements. Since the designated authority for vessels under Merchant Shipping Act, 1958 and the Inland Vessels Act, 2021 differ, it is proposed to amend the said sub-section to refer to the designated authority in respect of inland vessels also.
- Section 232(17) of the IT Act 2025 provides that the average of net tonnage shall be computed in the manner prescribed, in consultation with the Director-General of Shipping. It is proposed to amend this sub-section to add reference to Inland Waterways Authority of India, in case of inland vessels.

Definition of Inland Waterways Authority

Section 235 of the IT Act 2025 relating to definitions pertaining to Chapter XIII-G is also proposed to be amended to provide for definition of “Inland Waterways Authority of India”.



CAPITAL GAINS

Transactions not regarded as transfer for capital gains tax purpose:

The provisions of section 70(1)(x) of IT Act, 2025 provide an exemption from capital gains tax in respect of income arising from redemption of Sovereign Gold Bonds ('SGB') issued by the Reserve Bank of India ('RBI') under the Sovereign Gold Bond Scheme, 2015. RBI issues SGB on recurring basis through multiple series where each constitutes a separate issuance.

In order to ensure uniform application of the exemption across all such issuances and to align the provision with its intended scope, it is proposed to amend section 70(1)(x) of the Act where now the exemption shall be available only where the SGB is subscribed to by a individual subscriber at the time of original issue and is held continuously until redemption on maturity, for all SGBs issued by the RBI from time to time.

Definition of "Commodity Derivative"

Section 66(33) of the IT Act, 2025 defines the term "specified derivative transaction" for the purposes of Part D of Chapter IV. The definition refers to transactions in commodity derivatives.

However, while the term "commodity derivative" was defined under the IT Act, 1961, it was not defined in the IT Act, 2025.

To align the provisions of the IT Act, 2025 with the earlier law, clause 33 of the Finance Bill proposes to insert a definition of "commodity derivative" in section 66, on the same lines as provided in the IT Act, 1961.

Taxation of buyback of shares

The Finance Bill, 2026 proposes to rationalise the tax treatment of consideration received by shareholders on the buy-back of shares by a company. Under the existing provisions of the IT Act, 2025, such consideration is treated as dividend income u/s 2(40)(f) and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is separately recognised as a capital loss u/s 69.

Under the proposed amendment, section 2(40)(f) is omitted, and consideration received by a shareholder on buy-back of shares shall be chargeable to tax under the head "Capital gains" in accordance with section 69 of the IT Act, 2025 and will no longer be characterised as dividend income. Further, a differentiated tax regime is proposed for promoters. In cases where the shareholder is a promoter being a domestic company and other than domestic company, the effective income-tax payable on capital gains arising from buy-back shall be as under:

INDIA BUDGET 2026-27

Income	Existing Normal rates	Additional tax on where the promoter is a domestic co.	Additional tax where the promoter is other than domestic co.	Effective tax rate for promoters – domestic co. and other than domestic co.
STCG referred to in section 196 arising from the transfer of such securities	20%	2%	10%	22% / 30%
LTCG referred to in section 197 or section 198 arising from the transfer of such securities	12.5%	9.5%	17.5%	22% / 30%

For the purpose of this section, in the case of a company whose shares are listed on a recognised stock exchange in India, 'promoter' shall have the same meaning as assigned to it in regulation 2(k) of the SEBI (Buy-Back of Securities) Regulations, 2018 made under the SEBI Act, 1992 and in any other case as defined in section 2(69) of the Companies Act, 2013; or a person who holds, directly or indirectly, more than 10% of the shareholding in the company.

Change in Securities Transaction Tax (STT)

Revised rates of STT:

Particulars	On or before 01.04.2026	After 01.04.2026
Option in Securities (Option Premium)	0.1%	0.15%
Option in Securities (Option is exercised)	0.125%	0.15%
Future in securities (Futures are traded)	0.02%	0.05%



TRUSTS / CO-OPERATIVE SOCIETIES

Definition of term “ Co-operative Society”

The Co-operative societies which are registered under the “Multi-State Cooperative Societies Act, 2002,” are also covered within the definition of co-operative society under the Act.

Deduction in respect of income of co-operative societies

- Activity of supply of cotton seed and cattle feed by a primary co-operative society has been within the scope of section 149(2)(b) for claiming deduction.
- Section 149(2)(d) had been redrafted to bifurcate income received from co-operative society from investments made in any other co-operative society as under:
 - a) Interest income or
 - b) Dividend income.
- Section 149(6) has been inserted to define the following terms for section 149 in the IT Act 2025 as under:
 - a) “consumers’ co-operative society” means a society for the benefit of the consumers;
 - b) “primary agricultural credit society” has the same meaning as assigned to it in Part V of the Banking Regulation Act, 1949; and
 - c) “primary co-operative agricultural and rural development bank” means a society having an area of operation confined to a taluk, the principal object of which is to provide long-term credit for agricultural and rural development activities.’

Deduction in respect of income of federal co-operatives

Section 150 of the IT Act, 2025 dealt with interpretation for the purposes of section 149. The said section has been substituted to provide for a deduction in respect of income of federal co-operative.

The newly substituted section 150 of the IT Act 2025 provides as follows:

- a) Dividend income should arise from investments made in any company and recorded in the books of accounts on or before 31/01/2026.
- b) The Dividend should be distributed to its members atleast 1 month before the due date for filing return of income as per section 263 i.e. on or before 30th September succeeding the said tax year.
- c) The deduction shall not apply to any tax year beginning on or after 01/04/2029.

INDIA BUDGET 2026-27

Tax on income of certain resident co-operative societies

Section 203 provides for tax on income resident co-operative societies at 22% subject to the conditions and provisions contained thereunder.

Deduction in respect of dividend received from inter co-operative societies shall be allowed to the extent the same is distributed by the co-operative societies to its members at least one month before the due date for filing the return of income under section 263(1).

Tax on income of certain new manufacturing resident co-operative societies.

Section 204 provides for tax on income of certain new manufacturing resident co-operative societies at 15% subject to the conditions and provisions contained thereunder.

Deduction in respect of dividend received from inter co-operative societies shall be allowed to the extent the same is distributed by the co-operative societies to its members at least one month before the due date for filing the return of income under section 263(1).

Application of Registration to Non-profit Organisations

The rules for registering as a non-profit organization have been updated for clarity. Certain categories of persons who were not required to register under the old law to claim tax exemptions no longer need to register under the new law either. This change aligns the registration requirements with the previous law and removes any confusion about who must register.

Return of income under Chapter XVII

The rules for filing returns by registered non-profit organizations have been updated. The IT Act 2025 updates and allows these organizations to file belated returns, similar to the provisions under the IT Act 1961, by adding a reference to the relevant rule for late filing.

Specified Violation by registered non-profit organisation

The rules for non-profit organizations have been updated. Previously, certain commercial activities, even if done to support public welfare, were treated as serious violations and could lead to cancellation of registration. The new amendment removes these activities from the list of serious violations, ensuring that non-profits are not penalized for carrying out such activities and aligning with the original intent of the law.

Tax on Accreted income

Merger of registered Non-profit Organisation in certain cases

If a registered non-profit merges with another registered non-profit having the same or similar objectives, and the merger meets the prescribed conditions, the tax on accreted income at MMR will not apply.



INDIA BUDGET 2026-27

At the same time, that tax on accreted income will apply at MMR if a registered non-profit organisation merges with:

- a) an entity that is not a registered non-profit organisation,
- b) a registered non-profit with similar objectives but where prescribed conditions are not met, or
- c) a registered non-profit with different objectives.

These changes ensure clarity and consistency with the IT Act 1961. The amendments will apply from 01/04/2026 and will be effective for the tax year 2026–27 and onwards.

INDIA BUDGET 2026-27

INCOME FROM HOUSE PROPERTY

Interest relating to House Property.

The deduction of INR 2 Lakh available for self-occupied house property shall include prior period interest paid on borrowed capital utilized to construct or acquire the said house property.

Taxability of House Property held as Stock-in-Trade.

The exemption from deemed let out for house property held as Stock-in-trade is proposed to be restricted to 2 years from the end of the financial year in which the certificate for completion of construction is obtained from the competent authority.



INCOME FROM OTHER SOURCES

Definition of term “Dividend”

Section 2(40)(v) of the IT Act, 2025 provides that dividend does not include any advance or loan between two group entities, where, __

- (a) one of the group entities is a “Finance company” or a “Finance unit”; and
- (b) the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by the Board in this behalf;

It is proposed that, the other group entity to the transaction shall also be located in a country or territory outside India which shall be a notified jurisdiction, Also, the parent entity or the principal entity of such group is listed on stock exchange in a country or territory outside India; and for such purposes the country or territory outside India shall be specified by the Central Government, by notification in the Official Gazette. Following are the proposed amendments to the provision of section 2(40)(v) of the IT Act, 2025:

- (a) “group entity” shall have the same meaning as assigned to the expression “group entities” in clause (m) of sub-regulation (1) of regulation 2 of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (b) “parent entity” or “principal entity” in relation to one or more other group entities, shall be an entity of which other group entities are subsidiary and such entity, __
 - (i) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or
 - (ii) controls the composition of the Board of Directors.

Deduction of Interest against Dividend or Income from Units of Mutual funds:

No deduction shall be allowed in respect of any expenditure against dividend and/or Income from units of mutual funds.

TAX INCENTIVES FOR UNITS IN IFSC

Rationalisation of certain terms for treasury centres in IFSC

Existing section 2(40) of the IT Act, 2025 *inter alia* provides the definition of dividend. Section 2(40)(v) provides that dividend does not include any advance or loan between two group entities, where-

- a) one of the group entities is a “Finance company” or a “Finance unit”; and
- b) the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by the Board in this behalf;

In order to rationalise the said provision, it is proposed to amend the Section 2(40)(v) to *inter alia* provide that, the other group entity to the transaction shall also be located in a country or territory outside India which shall be a notified jurisdiction. Also, the parent entity or the principal entity of such group is listed on stock exchange in a country or territory outside India; and for such purposes the country or territory outside India shall be specified by the Central Government, by notification in the Official Gazette.

For the purposes of aforementioned provisions, it is also proposed to define the following terms, namely:

- (a) “group entity” shall have the same meaning as assigned to the expression “group entities” in regulation 2(1)(m) of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (b) “parent entity” or “principal entity” in relation to one or more other group entities, shall be an entity of which other group entities are subsidiary and such entity:
 - (i) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or
 - (ii) controls the composition of the Board of Directors.

Extension of period of deduction for units in IFSC and rationalization of tax rate

The provisions of section 147 provide for deduction of 100% on certain incomes to the units of IFSC and OBUs. This is available for 10 consecutive years out of 15 years for the units in IFSC and 10 consecutive years for OBUs.

To increase the competitiveness of IFSC, it is proposed to increase the period of deduction to 20 consecutive years out of 25 years for the units in IFSC and 20 consecutive years for OBUs. It is further proposed that, upon expiry of the deduction period, the business income of these IFSC units will be subject to tax at a rate of 15%.



INDIA BUDGET 2026-27

It is further proposed to insert that in respect of any OBU or any other unit referred in sub-section (1), commencing operations on or after the 1st April, 2026, the deduction equal to 100% of the income under sub-section (1) shall be available only if such unit is not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India.

Income not to be included in total income of certain eligible persons in international financial services centre or having income therefrom

Section 11 read with Schedule VI of the IT Act 2025 provides for exempt income. The clause 110 of the Finance Bill 2026 seeks to amend the definition of “specified fund” in Note 1(g) to Schedule VI. To provide clarity, it is proposed to amend the Note 1(g) to Schedule VI to align the definition of “specified fund” with the definition provided under section 10(4D) of the IT Act and also extends the time by which certain IFSC funds must commence operations i.e. on or before 31 March 2030

EXEMPT INCOME

Insertion of additional exemptions provided to eligible non-residents and foreign companies

Under section 11 of the IT Act 2025, it is stated that any income enumerated in Schedule IV shall not be included in the total income of any person in the tax year. Schedule IV of IT Act 2025 provides for income not to be included in total income of eligible non-residents, foreign companies and such other persons. It is proposed to amend the said Schedule by inserting serial no. 13A to 13C which are as under:

- **Insertion of serial no. 13A**

It is proposed to provide exemption to a foreign company on income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India for the purposes of electronic manufacturing in India. The conditions to be complied with for claiming such exemption are as under:

- a) The ownership of such capital goods, equipment or tooling remains with the foreign company; and
- b) The contract manufacturer is located in a custom bonded area (i.e., a warehouse referred in section 65 of Customs Act, 1962), the capital goods, equipment or tooling is under control and direction of such manufacturer, and it produces the electronic goods on behalf of the foreign company for a consideration.

This exemption shall be available up to tax year 2030-31.

- **Insertion of serial no. 13B**

It is proposed that the income which accrues or arises outside India and is not deemed to accrue or arise in India shall be exempt from tax in the case of an individual who has been a non-resident for five consecutive tax years immediately preceding the tax year in which he visits India for the first time to render services under a scheme notified by the Central Government. This exemption is available to the non-resident individual for a period of five consecutive tax years commencing from the first tax year during which he visits India in connection with such scheme.

- **Insertion of serial no. 13C**

For the purposes of attracting investment in data centre and promoting artificial intelligence data framework in India, it is proposed to provide an exemption to a



INDIA BUDGET 2026-27

foreign company on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre. The conditions to be complied with for claiming such exemption are as under:

- 1) Such foreign company is notified by the Central Government in this behalf and it does not own or operate any of the physical infrastructure or resources of specified data centre;
- 2) The sales made by such foreign company to the users located in India are made through an Indian reseller entity;

This exemption shall be available up to tax year ending on 31/03/2047.

Income exempt from Tax:

- Any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after the 1st April, 2026, under the RFCTLARR Act (other than the award or agreement made under section 46 of said Act) will not be liable to tax.
- Disability pension received by members of Armed Forces and Paramilitary personnel is exempt from tax unless the individual has retired on superannuation or otherwise.
- Compensation and interest on such compensation to be awarded by the Tribunal under Motor Vehicles Act, 1988, to an individual or his legal heir, on account of death or on account of permanent disability or any bodily injury under the said Act shall be exempt from taxation in the hands of the individual or his legal heirs.
- No tax shall be deducted at source in respect of such compensation amount awarded by the Tribunal under the said Act.

INDIA BUDGET 2026-27

TAX COMPLIANCE

Due Dates for Return of Income for A.Y. 2026-27 onwards

Sr. No	Person	Conditions	Due Date
A	B	C	D
1.	Assessee, including the partners of the firm or the spouse of such partner and specified spouse.	Where Transfer Pricing Audit is applicable.	30th November
2.	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force; (iii) Partner of a firm whose accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner and specified spouse.	Where Transfer Pricing Audit is not applicable.	31st October
3.	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner and specified spouse.	Where Transfer Pricing Audit is not applicable.	31st August
4.	Any other assessee		31st July

Due Dates for filing of Revised Return for A.Y. 2026-27 onwards

- Due date for filing revised return has been extended from existing 9 months to 12 months from the end of the relevant assessment year.



- Penalty for filing revised return post 9 months will be as follows:

Returned Income	Penalty Amount (INR)
Below 5 Lacs	1000
Above 5 Lacs	5000

- Necessary amendments have been made in IT Act 2025 to include penalty for late filing of return of income, failure to file tax audit and transfer pricing reports.

Updated Return of Income

- An updated Return can be now filed even if it results in reduction of the amount of loss in comparison to the amount of loss claimed in the original return of income.
- An updated return of income can also be filed even if a reassessment notice is issued by the Assessing Officer. An additional tax of 10% over and above the additional tax payable for filing updated return will be levied.
- No return in response to reassessment notice is required to be filed if the updated return is furnished post reassessment notice.

Quoting of Permanent Account Number

CBDT is empowered to notify **non-business and non-professional, financial or economic transactions**, where quoting of PAN would be mandatory.

Interest on Non-payment of demand (proposed to be applicable from 01/03/2026)

The 1% monthly interest on tax demand arising on under-reporting penalties is suspended during the litigation process. The interest clock stops until the CIT(Appeals) issues a ruling or, in DRP-related cases, until the ITAT passes its final order.

In simple terms, this change ensures that taxpayers are not burdened with interest on disputed penalty amounts while their appeals are being decided, making the law fairer and more reasonable.

Stay of Disputed Demand

Currently, a taxpayer can obtain a stay on a disputed demand during an appeal by paying 20% of the total amount payable (including tax, interest, fee, penalty, or other sums). Under the proposed change, the stay can now be obtained by paying only 10% of only the tax amount.

Hard-Wiring the 60-Day Rule: Certainty on TPO Order Deadline

The Finance Bill, 2026 proposes to make the “60-day gap” for transfer pricing orders more certain by clarifying exactly how the 60 days should be counted for the TPO’s order under section 92CA of the IT Act 1961. While the law already required the TPO to pass the transfer

INDIA BUDGET 2026-27

pricing order at least 60 days before the assessment deadline (linked to section 153 or section 153B of the IT Act 1961), there has been litigation on whether the assessment deadline date is included in the 60-day count. To remove this uncertainty, the Bill proposes to introduce a new section 92CA(3AA) in the IT Act 1961 that hard-codes the calculation into specific dates as follows:

Assessment limitation date	Last permissible date for passing TPO order (u/s 92CA of IT Act 1961)
31st March (Non-Leap Year)	30th January of the same year
31st March (Leap Year)	31st January of the same year
31st December	1st November of the same year

This clarification under IT Act 1961 is proposed to apply retrospectively from 01/06/2007.

Similar corresponding provisions are also proposed to be incorporated in section 166 of the IT Act 2025 which expressly prescribe the deadline for passing an order by the TPO as under:

Assessment limitation date	Last permissible date for passing TPO order (u/s 166 of IT Act 2025)
31st March	31st January of the same year
31st December	31st October of the same year

The aforesaid amendment under the IT Act 2025 is proposed to come into force from 01/04/2026.

Clear Timelines for Completion of Assessment under section 144C

The Bill proposes to insert new sub-sections into section 144C of IT Act 1961 and matching clarifications into sections 153 and 153B of IT Act 1961 to confirm that the section 153/153B deadline governs only the draft order stage, while the post-draft steps (30 days for objections, DRP directions within 9 months, and the final order within 1 month) are governed by section 144C, even if the final order date falls after what a strict “single outer deadline” reading of sections 153/153B might imply. These clarifications are proposed to apply retrospectively, so as to maintain consistency with the framework that has existed since the introduction of section 144C of the IT Act 1961.

Similar corresponding provisions are also proposed to be incorporated in sections 275 and 286 of the ITA Act 2025.

Section 275 of the IT Act 2025 is proposed to be amended to bring clarity on the final stage of assessment once a draft assessment order is issued. The amendment clearly provides that, after the draft order process is triggered, the Assessing Officer will have a defined one-month period to pass the final assessment order, whether the taxpayer accepts the draft, does not file objections within the prescribed time, or objections are disposed of by Dispute Resolution Panel. This one-month window will apply irrespective of the general assessment limitation provisions, ensuring that the final step of the assessment process is not caught in interpretational disputes.



Section 286 of the IT Act 2025 is proposed to be amended to prescribe the overall time limit for completion of assessments, including cases involving transfer pricing references. The amendment clarifies that the draft assessment order can be issued at any time up to the last permissible date available under the statutory assessment time limits, including the extended period applicable in transfer pricing cases. Once such a draft order is issued within this outer time limit, the completion of the assessment will thereafter be governed by section 275 of the IT Act 2025.

The aforesaid amendment in the IT Act 2025 is proposed to come in force with effect from 01/04/2026.

Undisclosed income of any other person

The rules for block assessments have been updated for cases involving third parties. If the undisclosed income of a third party relates to only one tax year immediately before the year of a search or requisition, the third party must still go through the full block assessment process, even if no search or requisition was conducted against them, which increases their compliance responsibilities.

Time-limit for completion of block assessment

The rules for block assessments have been updated to use the date a search is initiated as the starting point for the limitation period. As a result, the assessment period has been extended from twelve months to eighteen months from the end of the quarter in which the search is initiated or requisition took place.

Effect to advance pricing agreement

Under section 169(1) of the IT Act, 2025 if return for any tax year covered by an APA has been furnished by any person, before the date of entering into the said agreement, he shall furnish a modified return in accordance with and limited to the agreement, in respect of such tax years, within three months from the end of the month in which the agreement was entered into. The amendment now permits even associated enterprises may furnish such a modified return or fresh return to effect consequential changes in associated enterprise's Indian income tax liability.

Relaxation to Individuals and HUF in obtaining TAN Number (proposed to be applicable from 01/10/2026)

Section 397(1) of the IT Act, 2025 provides that every person who is deducting or collecting tax shall apply to the AO for obtaining TAN. Clause (c) of the said section provides for cases where a person need not obtain TAN. The amendment proposes to provide that resident individual or Hindu undivided family need not obtain TAN to deduct tax at source in respect of any consideration on transfer of any immovable property payable to a Non-resident seller under section 393(2) [Table: SI. No. 17].

INDIA BUDGET 2026-27

Tax Deducted at source (proposed to be applicable from 01/04/2027)

Clause 72 of the Finance Bill proposes to amend section 393 of the IT Act, 2025, which deals with deduction of tax at source (TDS) mainly to correct references and rationalize certain TDS exemptions.

Firstly, Section 393(1) [Table: Sl. No. 3(i)] provides for TDS on the sale of immovable property where the sale consideration or stamp duty value is ₹50 lakh or more. However, Note 3 to this provision incorrectly refers to a table entry relating to compulsory acquisition of property.

To remove this drafting error and reflect the correct intent, it is proposed to correct the cross-reference in Note 3, so that it properly relates to TDS on sale of immovable property.

Secondly, section 393(4) lists cases where TDS is not required to be deducted on interest income (other than interest on securities). It is proposed to make the following changes in this sub-section:

- Interest paid to co-operative banks. At present, TDS exemption applies in certain cases of interest payments. It is proposed to specifically provide that interest paid or credited to any co-operative society engaged in the business of banking, including a co-operative land mortgage bank, shall not be subject to TDS.
- Interest on compensation awarded by Motor Accidents Claims Tribunal (MACT)

It is proposed to provide that no TDS shall be deducted on interest paid or credited on compensation awarded by a Motor Accidents Claims Tribunal where the recipient is an individual. In the case of persons other than individuals, the existing exemption threshold of ₹ 50,000 shall continue to apply.

These amendments will take effect from 1 April 2026 and will apply from tax year 2026-27 onwards.

Thirdly, a new sub-section (6B) is proposed to be inserted in section 393. Before: Section 393 required people receiving certain types of income (like dividends, interest, or units in mutual funds) to give a declaration manually to the person responsible for paying them. The payer then had to submit this declaration to the tax authorities.

Changes now:

- a) From 1st April 2027, the declaration can also be submitted electronically through a depository if the income is from units, interest on securities, or dividends, the units/securities are held with the depository, and they are listed on a recognised stock exchange.
- b) The person paying the income must still submit these declarations to the tax authorities quarterly, but now it can include declarations received electronically from the depository.



Insertion of definition of “Authorised Person” for the purpose of the chapter XIX-B[TDS Provision]

Section 402(27)(c) of the IT Act, 2025 defines the term “person responsible for paying” for various types of payments, including payments made to a non-resident Indian in respect of consideration for transfer of a foreign exchange asset which is not a short-term capital asset. In such cases, the “authorised person” responsible for remitting or crediting the sum is treated as the person responsible for paying.

While the term “authorised person” was defined under the IT Act, 1961, it was not defined in the IT Act, 2025.

To align the provisions of the IT Act, 2025 with the earlier law, it is proposed to insert a definition of “authorised person” in section 402(27), on the same lines as provided in the IT Act, 1961.

Application of TDS on supply of manpower

Under section 393 of the IT Act, 2025, different rates of tax deduction at source (TDS) apply depending on whether a payment is treated as contract work or as professional or technical services. This has led to confusion in cases where payments are made for supply of manpower, as it was not clear which TDS rate should apply.

At present, payments to contractors for carrying out work attract TDS at 1% (where the payee is an individual or HUF) and 2% in other cases. On the other hand, payments for professional or technical services attract TDS at 2% or 10%, depending on the nature of services.

Due to lack of clarity, there was uncertainty on whether supply of manpower should be treated as contract work or as technical or professional services for TDS purposes.

To remove this ambiguity, it is proposed to specifically include “supply of manpower” within the meaning of “work” under section 402(47). As a result, payments for supply of manpower will be subject to TDS under the provisions applicable to contractual work, and not as fees for professional or technical services.

Rationalisation of Safe Harbour Rules

Information Technology Sector

It is proposed that for entities in IT sector engaged in business verticals viz. IT, ITeS, KPO and contract R&D which were recognised separately for the purpose of applying for Safe Harbour rules are to be clubbed under a single category of ‘IT Services’. Accordingly, the Safe Harbour margins have been revised as under:

INDIA BUDGET

2026-27

Services	Existing Safe Harbour	Revised Safe Harbour
Software Development services and IT enabled services	Transaction value does not exceed INR100 crore – 17% on operating cost (OC)	Transaction value does not exceed INR 2000 crore – 15.5% on OC
	Transaction value exceeds INR100 crore does not exceed INR300 crore – 18% on OC	
Knowledge process outsourcing	Employee cost is at least 60% of operating expense – 24% on OC	
	Employee cost is 40% or more but less than 60% of operating expense - 21% on OC	
	Employee cost does not exceed 40% of operating expense - 18% on operating Expense	
Contract R & D services	24% on operating expense	

It is proposed to make the approval process as automated rule driven process by eliminating human intervention and such safe harbours may be continued for a period of five years continuously at the choice of the applicant.

Data Centre Services

It is proposed that an Indian Reseller entity who is engaged in providing cloud services by using data centre services from India for rendering services to Indian customers at a safe harbour margin of 15% on OC.

Electronic Component warehousing in Bonded Warehouse

It is proposed to provide Safe harbour to non-residents for electronic component warehousing in a Bonded Warehouse at a profit margin of 2% of the invoice value.



PENALTY AND PROSECUTION

Tax and penalty on unexplained credits, investments, etc.

- Tax payable on income on account of, unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc. is proposed to be charged at 30% as against current rate of 60%.
- Penalty at the rate of 200% shall be levied on the tax payable on the above-mentioned income, if determined by the AO.
- Accordingly, section 443 levying penalty on the above-mentioned income at 10% has been deleted.

Under-reporting of Income

Where additional income-tax is paid at the time of filing an updated return, the income on which such additional income-tax is paid shall not be again subjected to imposition of penalty.

Conversion of Penalty for failure to furnish report u/s 172 into a fee

Section 447 currently provides for a penalty of INR 1,00,000 for failure to furnish an accountant's report as required u/s 172. Section 172 mandates furnishing of an accountant's report in respect of international transactions and specified domestic transactions to ensure transfer pricing compliance.

The Bill proposes to omit the penalty u/s 447 and replace it with a fee-based mechanism u/s 428(4). Accordingly, clause (d) of the proposed section 428 provides for a fee of INR 50,000 where the delay in furnishing the report does not exceed one month, and INR1,00,000 where the delay exceeds one month.

Rationalised Consequence Regime for Statement of Financial Transactions / Reportable Account Reporting Defaults

The Bill introduces a clear bifurcation between fee-based compliance defaults and penal consequences in relation to furnishing a statement of financial transaction (SFT) or reportable account u/s 508 of the Income-tax Act, 2025.

Under the proposed section 427, a fee mechanism applies for initial delays in compliance. Specifically, where a person required to furnish an SFT or reportable account u/s 508(1) fails to do so within the time prescribed u/s 508(2), a fee of INR 200 per day is leviable for the period of default, subject to a maximum cap of INR 1,00,000. This fee applies without the need for issuance of notice.

INDIA BUDGET 2026-27

In contrast, the substituted section 454 introduces a penalty mechanism that is triggered only in cases of continued non-compliance after issuance of notice. Where a person fails to furnish the SFT or reportable account within the period specified in a notice issued u/s 508(7), the income-tax authority may levy a penalty of INR 1,000 per day, subject to a maximum of INR 1,00,000.

Accordingly, the amended framework establishes a two-tier consequence structure:

- Fee u/s 427 for failure to furnish the statement within the prescribed time u/s 508(2); and
- Penalty u/s 454 only where the default persists even after a statutory notice u/s 508(7).

This aligned approach ensures that initial and technical delays are addressed through a fee, while penal consequences are reserved for persistent non-compliance, reflecting a proportionate and compliance-oriented enforcement regime.

Rationalization of prosecution proceedings

The IT Act contains stringent prosecution provisions prescribing imprisonment for serious and willful tax offences. In line with the Government's continued policy of decriminalisation, provisions relating to prosecution proceedings are rationalized to ensure that punishment is proportionate to the gravity of the offence, while retaining deterrence for deliberate non-compliance.

Immunity from imposition of penalty or prosecution (proposed to be applicable from 01/03/2026)

The scope of section 270AA of the IT Act, 1961 has been expanded to extend the immunity from penalty and prosecution even in cases of misreporting of income. Now, an assessee against whom penalty proceedings for misreporting are initiated may apply to the Assessing Officer for immunity, provided the assessee pays the tax, interest and additional tax equal to 100% of the tax payable on such misreported income, and does not file an appeal against the assessment order.

Income Escaping Assessment

Post introduction of the faceless assessment regime and the reassessment framework incorporating section 148A (effective from 01/04/2021), the Union Budget 2026 clarifies the scope and authority of the Assessing Officer in reassessment matters.

While section 147A empowers the Assessing Officer to assess, reassess or recompute income which has escaped assessment and section 148 mandates issuance of notice for such reassessment, section 279 of the Income-tax Act, 2025 now expressly clarifies that, for specified purposes, the term "AO" shall mean the Jurisdictional AO, and shall exclude the National Faceless Assessment Centre (NFAC) and assessment units referred to in section 273(3).



Penalty for non-furnishing of statement or furnishing inaccurate information in a statement

To ensure strict compliance with the obligation to furnish statements relating to crypto-asset transactions, now a dedicated penalty mechanism. Under the amended framework:

- a penalty of ₹ 200 per day is leviable for failure to furnish the prescribed statement within the stipulated time; and
- a penalty of ₹ 50,000 is leviable for furnishing inaccurate information in the statement or for failure to rectify such inaccuracy in the manner prescribed.

This framework reinforces reporting discipline and enhances the accuracy and reliability of information relating to crypto-asset transactions.

Sr. No.	Nature of Default	Quantum of Default		
		≤ INR 10 Lakh	INR 10-50 Lakh	> INR 50 Lakh
1.	Failure to pay tax deducted/collected at source (unless paid by TDS return due date)	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both
2.	Failure to pay TDS on VDA ¹ consideration or in relation to winnings ²	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both
3.	Willful attempt to evade tax, penalty or interest or under-report income	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both
4.	Wilful failure to furnish the return of income ³ in due time	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both

1. *Excluding consideration which is wholly in kind*
2. *Excluding winnings wholly in kind*
3. *No prosecution if:*
 - *the return is furnished before the expiry of the AY or an updated return is furnished within the prescribed timelines under section 139(8A) of IT Act.*
 - *Tax payable (after reducing TDS, TCS, Advance Tax and Self Assessment Tax) by such person, not being a company on the total income determined on regular assessment does not exceed INR 10,000.*

INDIA BUDGET

2026-27

Sr. No.	Nature of Default	Quantum of Default		
		≤ INR 10 Lakh	INR 10-50 Lakh	> INR 50 Lakh
5.	Wilful failure to furnish return in search cases	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both
6.	Submission of false statements / accounts	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both
7.	Abetment of false statements	With a fine	Simple imprisonment up to 6 months, or with a fine, or both	Simple imprisonment up to 2 years, or with a fine, or both

For the second and every subsequent offence assessee shall be punishable with simple imprisonment for a term which shall not be less than 6 months but which may extend to 3 years and with fine.

If a public servant gives information or produces documents in violation of the law, they can be punished with imprisonment of up to one month, or a fine, or both

Other Prosecution Provisions

Sr. No.	Offence	Penalty
1.	Contravention of search order	Simple imprisonment up to 2 years and fine
2.	Failure to allow book inspection during search	Simple imprisonment up to 6 months or fine or both
3.	Removal, concealment, transfer or delivery of property to thwart tax recovery	Simple imprisonment up to 2 years and fine
4.	Falsification of books/documents	Simple imprisonment up to 2 years and fine
5.	Failure to comply with special audit/valuation direction	Simple imprisonment for 454 up to 6 months or fine or both

The amendments in section 473 to 485 & 494 of IT Act 2025 will take effect from the 01/04/2026.

The amendments in section 275A to 278A & 280 of IT Act 1961 will take effect from the 01/03/2026.



Rationalisation of Penalties into Fee under IT Act 2025

Sr. No.	Particulars	Fees
1.	Failure to furnish TDS / TCS returns	INR 200 per day for which failure continues. However, the fee shall not exceed the amount of TDS or TCS and to be paid before filing to TDS / TCS return
2.	Failure to furnish SFT or reportable account	INR 200 per day for which failure continues. However, the fee shall not exceed INR 1,00,000 (Refer Note below)
3.	Failure to furnish original return of income	<ul style="list-style-type: none"> • INR 1,000 if income does not exceed INR 5,00,000 • INR 5,000 if income exceeds INR 5,00,000
4.	Failure to revised return of income beyond 31 December	<ul style="list-style-type: none"> • INR 1,000 if income does not exceed INR 5,00,000 • INR 5,000 if income exceeds INR 5,00,000
5.	Failure to furnish tax audit report	<ul style="list-style-type: none"> • INR 75,000 for a delay upto one month • INR 1,50,000 thereafter
6.	Failure to furnish transfer pricing audit report	<ul style="list-style-type: none"> • INR 50,000 for a delay upto one month • INR 1,00,000 thereafter

Note on Failure to furnish SFT or reportable account

The penalty mechanism is triggered only in cases of continued non-compliance after issuance of notice. Where a person fails to furnish the SFT or reportable account within the period specified in a notice issued, the income-tax authority may levy a penalty of INR 1,000 per day, subject to a maximum of INR 1,00,000.

Accordingly, the amended framework establishes a two-tier consequence structure:

- Fee for failure to furnish the statement within the prescribed time; and
- Penalty only where the default persists even after a statutory notice being issued.

This aligned approach ensures that initial and technical delays are addressed through a fee, while penal consequences are reserved for persistent non-compliance, reflecting a proportionate and compliance-oriented enforcement regime.

Expanded Powers of the Dispute Resolution Committee to Waive Penalties (proposed to be applicable from 01/03/2026)

The law has now been amended with effect from 01/03/2026 by replacing the words “waive any penalty imposable” with “waive any penalty imposed or imposable.”

INDIA

BUDGET

2026-27

This change clearly empowers the Dispute Resolution Committee to waive penalties whether they are already levied or are yet to be levied, once a dispute is resolved under this mechanism, thereby making the provision clearer, broader in scope, and more beneficial for taxpayers.

Clarification on Non-Levy of Penalty u/s 270A – Insertion of Sub-section (11A) (proposed to be applicable from 01/03/2026)

If a taxpayer voluntarily pays extra tax along with an additional 10% charge while filing an updated return, the income on which this extra tax is paid cannot be used to impose a penalty.

In other words, if someone corrects their tax records and pays the additional tax proactively, they won't face any penalty on that income. This rule gives taxpayers clarity and relief by ensuring that paying extra tax voluntarily protects them from further penalties.

Waiver of penalty and immunity from prosecution

Tax authorities can grant immunity from penalties or prosecution if a taxpayer meets certain conditions.

The rules have been updated to allow waiver of penalties and protection from prosecution in these cases:

- If a taxpayer has under-reported income and pays the tax and interest due along with an additional 100% of the tax on the under-reported amount, they will not face any penalty, as long as no appeal has been filed.
- If a taxpayer has income of a certain specified type and pays the tax and interest due along with an additional 120% of the tax on that income, they will also be protected from penalties, provided no appeal has been filed.

This gives taxpayers a way to correct their mistakes, pay the extra tax, and avoid penalties or prosecution.



BLACK MONEY ACT, 2015

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (Fast-Ds 2026)

To address non-compliance and inadvertent non-disclosures by small taxpayers in respect of their foreign assets, such as ESOPs or RSUs, dormant/ low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, and assets held by individuals on overseas deputation, this Budget proposes a time-bound Scheme for declaration of foreign assets and foreign-sourced income.

The FAST-DS is intended for the following two categories of tax-payers:

- (i) those who did not disclose their foreign income or asset, and
- (ii) those who disclosed their foreign income and/or paid due tax thereon but did not declare the foreign asset acquired.

The date from which the Scheme shall come into force & and the declaration window available shall be notified by the Central Government in due course.

Under the Scheme, any person can make declaration for any previous year in respect of any undisclosed foreign asset or undisclosed foreign income, where the declarant:

- (i) has failed to furnish ITR u/s 139 of the IT Act, 1961 or
- (ii) has failed to disclose such asset or income in ITR filed before the date of commencement of Scheme; or
- (iii) such asset or income has “escaped assessment” within the meaning of section 147 of the IT Act, 1961.

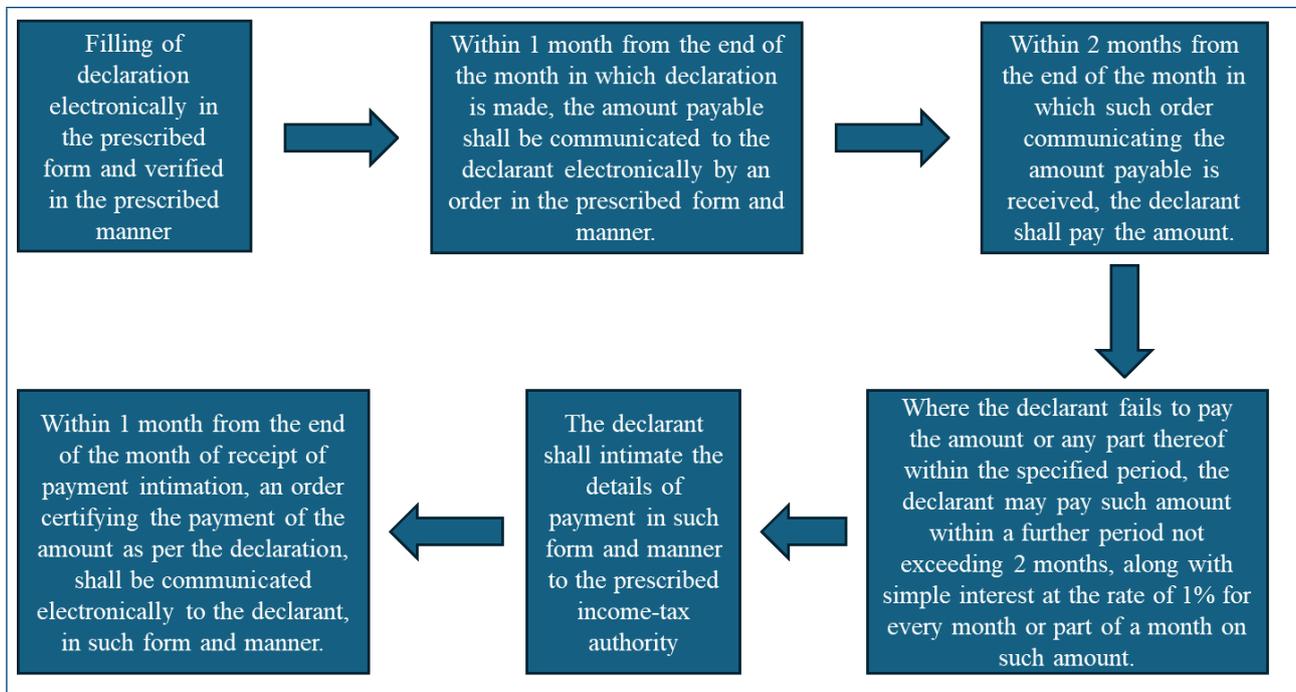
The amount payable under the Scheme shall be as under:

What can be disclosed?	How much to pay?	Conditions
Undisclosed asset located outside India And/ or Undisclosed foreign income	(1) 30% tax on the value of declared asset as on 31.03.2026 (2) 30% tax on declared income, and (3) 100% of tax under (2) and (2).	Aggregate value of declared foreign asset and/ or income < INR 1 crore

INDIA BUDGET 2026-27

What can be disclosed?	How much to pay?	Conditions
Foreign Asset acquired from Foreign Income by assessee when he was non-resident, and such asset was not declared in ITR on becoming a resident	INR 1 Lakh	The value of the declared foreign asset < INR 5 crore
Foreign Asset acquired from income offered to tax in India but not disclosed in ITR		

The flowchart explains the process of making declaration under the Scheme:



Salient features of this Scheme:

- The value of foreign asset or income declared under the Scheme shall not be included in the total income of the declarant for any assessment year under the IT Act or BMA
- The declarant shall not be entitled to claim any set off/ relief under any proceedings under the IT Act or BMA in respect of income or asset declared or any amount paid thereon
- The amount paid under this Scheme pursuant to a declaration shall not be refundable
- The declarant shall be granted immunity from the levy of any further tax or penalty, and also from prosecution, under the BMA in respect of income or asset so declared for FY 2025-26 and all earlier years.



- A declaration under this Scheme cannot be filed in respect of—
 - (a) any income/ asset which represents proceeds of crime in respect of which there are on-going PMLA proceedings
 - (b) any income/ asset relating to an assessment year for which assessment proceedings have been completed under the BMA. However, if BMA assessment proceedings are on-going, declaration can still be made. Declaration can also be made if assessment under IT Act is completed or on-going.
- The AO shall consider the Declaration while finalising assessment under pending/ on-going assessment proceedings under the IT Act/ BMA
- The Central Government holds power to make rules for carrying out the provisions of this Scheme which are yet to be notified.

Amendment u/s 49 and 50 of the Black Money Act relating to prosecution provisions for failure to file return of income and failure to disclose foreign income and asset in the return of income:

Section 49 and section 50 of the Black Money Act provides for punishment with rigorous imprisonment for a term not less than 6 months and which may be extended to seven years with fine where the resident wilfully fails to furnish his return of income or where the resident has filed his return of income and wilfully fails to disclose in such return any information relating to any foreign asset held.

It is now proposed to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20 Lakh.

This amendment will take effect from the 1st October 2024.

**TAX DEDUCTED AT SOURCE/
TAX COLLECTED AT SOURCE**

Rationalisation of TCS Provisions – Significant Relief to Individuals

The Finance Bill, 2026 proposes to grant relief to individuals by reducing Tax Collected at Source on select personal and essential transactions, of the sale of overseas tour program packages and foreign remittances made under the Liberalized Remittance Scheme for education and medical purposes, by prescribing a reduced TCS rate of 2 percent, without any threshold limit.

Further, in respect of certain specified goods such as scrap, alcoholic liquor and tendu leaves, the applicable TCS rates have been revised to 2% as part of this rationalisation exercise.

For detailed TCS rates applicable for the tax year 2026–27, reference may be made to the detailed tabulation under the head “Tax Collected at Source” in the later part of the Budget publication.



OVERVIEW OF TDS RATES FOR THE TAX YEAR 2026-27

TDS							
TDS RATES FOR TAX YEAR 2026-27							
(A)	On payments to Residents (subject to notes below)						
Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
1	192	392	Payment of salary	No Threshold Limit	NA	NA	At applicable rates
2	192A	392	Pre- mature withdrawal from Employee Provident Fund Scheme	Payment in excess of Rs. 50,000/-	NA	NA	10
3	194D	393(1)(i)	Insurance Commission	Payment in excess of Rs. 20,000/- per financial year	2	2	2
4	194H	393(1)(ii)	Other Commission (excluding Insurance Commission) and Brokerage by a Specified Person (Refer Note 1 for definition of Specified Person) (Other than Payment by BSNL/ MTNL to public call office franchisees)	Payment in excess of Rs. 20,000/-	2	2	2
5	194-IB	393(1)(2)(i)	Rent by Other than Specified Person	Payment in excess of Rs. 50,000/- in a month or part of the month	2	2	2
6	194-I (a)	393(1)(2)(ii)	Rent for Plant & Machinery, Equipments by Specified Person	Payment in excess of Rs. 50,000/- in a month or part of the month	2	2	2
7	194-I (b)	393(1)(2)(ii) & 393(4)(2)	Income by way of Rent from SPV distributed by REITs	No Threshold Limit	Nil	Nil	Nil

INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
8	194-IA	393(1)(3)(i)	Consideration for Transfer of Immovable Property (other than Agricultural Land) (or Stamp Duty Value, if the same is higher)	Sale Consideration / Stamp Duty Value of such property (for all transferees) exceeds Rs. 50,00,000/-	1	1	1
9	194-IC	393(1)(3)(ii)	Monetary Payment in respect of Joint Development Agreement	No Threshold Limit	10	10	10
10	194LA	393(1)(3)(iii)	Consideration for Compulsory Acquisition of Immovable Property (other than Agricultural Land) (other than on agreement exempted under RFCTLAR)	Payment in excess of Rs. 5,00,000/-	10	10	10
11	194K	393(1)(4)(i)	Income of units issued by Mutual funds or Unit Trust of India or specified company (Other than Capital Gains)	Payment in excess of Rs. 10,000 p.a.	10	10	10
12	194LBA	393(1)(4)(ii)	Dividend distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	10	10	10
13	194LBB	393(1)(4)(iii)	Income other than business income distributed by an Alternate Investment Fund (Category I and II)	No Threshold Limit	10	10	10
14	194LBC	393(1)(4)(iv)	Income in respect of investment in Securitization Trust	No Threshold Limit	10	10	10
15	193	393(5)(i)	Interest on securities including - (i) any debentures or securities issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act any debentures listed on recognised stock exchange in India. (ii) Any security of the Central or State Government	Payment in excess of Rs. 10,000/-	10	10	10



INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
16	194A	393(5)(ii)	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (For Senior Citizens)	Payment in excess of Rs. 100,000/- per financial year.	10	10	10
17	194A	393(5)(ii)	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (For Others) (Refer Note :3)	Payment in excess of Rs. 50,000/- per financial year	10	10	10
18	194A	393(5)(ii)	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office paid to Banking Company, a financial corporation established Act , UTI, or notified institution (Refer Note : 3)	No Threshold Limit	Nil	Nil	Nil
19	194A	393(5)(ii)	Payments made by a co-operative society (other than a co-operative bank), primary agricultural society, co-operative land mortgage bank to its members, or to another co-operative society, and interest on deposits by a primary agricultural (Where Turnover of the payer does not exceeds 50 Crores and interest does not exceeds 50 lakhs)		Nil	Nil	Nil
20	194A	393(5)(ii)	Payments made by a co-operative society (other than a co-operative bank), primary agricultural society, co-operative land mortgage bank to its members, or to another co-operative society, and interest on deposits by a primary agricultural (In other cases)		10	10	10

INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
21	194A	393(5)(ii)/(iii) & 393(4)(7)	Interest on Motor Accident Claims Tribunal (MACT) Compensation paid to Individual w.e.f 1st April 2026		Nil	Nil	Nil
22	194A	393(5)(ii)/(iii) & 393(4)(7)	Interest on Motor Accident Claims Tribunal (MACT) Compensation paid to Others (i.e. Other than Individuals)	Payment in excess of Rs. 50,000/-	10	10	10
23	194A	393(5)(iii)	Other Interest by a Specified Person	Payment in excess of Rs. 10,000/-	10	10	10
24	194C	393(1)(6)(i)	Payments to Contractors for carrying out of any work, including supply of labour by any Designated Person (Refer Note no. 2 for definition 5 for Deduction relief and Note no. 8)	Payment in excess of Rs. 30,000/- per transaction or Rs. 1,00,000/- per financial year (If material separately mentioned in invoice the same is to be separated)	2	2	1
25	194M	393(1)(6)(ii)	Payments to Contractors, Professional Fees , Commission Fees (Other than Insurance Commission)	Payment in excess of Rs. 50,00,000/- or aggregate of such payment exceeding Rs. 50,00,000/, during a financial year	NA	NA	2
26	194J	393(1)(6)(iii)	Professional Fees by a Specified Person (Other than paid for Individual / HUF personal purposes)	Payment in excess of Rs. 50,000/- p.a. (For Director Sitting Fees not covered u.s 392 (erstwhile 192) : Nil)	10	10	10



INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
27	194J	393(1)(6)(iii)	Fees for Technical Services (other than Professional Fees), Payee is only engaged in the business of operation of call centre, sale, distribution or exhibition of cinematographic films, by a Specified Person	Payment in excess of Rs. 50,000/- p.a.	2	2	2
28	194	393(7)	Dividends distributed by Domestic Company at the time of distribution or payment (Refer Note : 6)	Payment to a shareholder (being an individual) not in excess of Rs 10,000/- during the financial year.	10	10	10
29	194DA	393(8)(i)	Sum received for Life Insurance Policy including bonus [except exempt u/s Schedule II (2) (Erstwhile) 10(10D)]	Payment in excess of Rs. 1,00,000/- per financial year	2	2	2
30	194Q	393(1)(8)(ii)	Payment by Buyer of Goods, if TDS or TCS is not deductible / collectible under the provisions of the Act	Towards purchase of goods having value (or aggregate value during the Financial Year) exceeding Rs. 50,00,000/-	0.1	0.1	0.1
31	194P	393(1)(8)(iii)	Interest paid by Specified Bank (Refer Note 3 for definition)	Towards sums maintained by a Senior Citizen (above 75 yrs. of age) earning only pension income, at applicable threshold	NA	NA	Rates in force
32	194R	393(1)(8)(iv)	Payment of benefit of perquisite in respect of business or profession by a Specified Person	Value or aggregate of value of the benefit or perquisite exceeds Rs. 20,000/- during the Financial Year	10	10	10

INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
33	194O	393(1)(8)(v) & 393(4)(11)	Credit of Amount by E-Commerce Operator to E-Commerce participant in respect of sale of goods/ services to Individual and HUF (who have furnished PAN or Aadhaar) (Refer Note : 7)	Payment in excess of Rs. 5,00,000/- or aggregate of such payment exceeding Rs. 5,00,000/, during a financial year.	NA	NA	0.1
34	194O	393(1)(8)(v)	Credit of Amount by E-Commerce Operator to E-Commerce participant in respect of sale of goods/ services in other cases (Refer Note : 7)		0.1	0.1	0.1
35	194S	393(1)(8)(vi)	Payment/credit of consideration for transfer of virtual digital asset by person who is not a specified person	Threshold limit Rs. 50,000	1	1	1
36	194S	393(1)(8)(vi)	Payment/credit of consideration for transfer of virtual digital asset in other cases	Threshold limit Rs. 10,000	1	1	1
37	194B	393(3)(1)	Winnings from Lotteries, crossword, puzzles, card games and other games of any sort (other than winnings from online games)	Payment in excess of Rs. 10,000/- in a single transaction	30	30	30
38	194BA	393(3)(2)	Winnings from Online Games (on Net Winnings) at the time of withdrawal or year end whichever is earlier	No threshold limit.	30	30	30
39	194BB	393(3)(3)	Winnings from Horse Races	Payment in excess of Rs. 10,000/- in a single transaction	30	30	30
40	194G	393(3)(4)	Commission on Sale of Lottery Tickets	Payment in excess of Rs. 20,000/-	2	2	2



INDIA BUDGET 2026-27

Sr. No.	Provisions under		Payments to Resident Payee	Criteria for Deduction	Company	Partnership Firm	Individual, HUF, AOP, BOI
	IT Act 1961	IT Act 2025					
Rate (%)**							
41	194N	393(3)(5)	Payment in cash by a 'banking company' /'banking institution'/ 'post office' other than payment to Government, Banking company, Co-operative society engaged in Banking business, Business correspondent/ White label automated teller machine operator of such Banking company or Co-operative society.	Threshold Limit Rs. 1 crores (Other than Co-operative Society)	2	2	2
42	194N	393(3)(5)	Payment in cash by a 'banking company' /'banking institution'/ 'post office' other than payment to Government, Banking company, Co-operative society engaged in Banking business, Business correspondent/ White label automated teller machine operator of such Banking company or Co-operative society.	Threshold Limit Rs. 3 crores for Co-operative Society	2	2	2
43	194EE	393(3)(6)	Payments in respect of deposits under National Savings Scheme, etc Central Government Schemes	Payment in excess of Rs. 2,500/- per financial year	10	10	10
44	194EE	393(3)(6)	Payments in respect of deposits under National Savings Scheme, etc Central Government Schemes	Payment to heirs of the Asseessee	Nil	Nil	Nil
45	194T	393(3)(7)	Payments to partners of firms	Threshold limit Rs. 20,000	10	10	10

INDIA BUDGET 2026-27

Notes	
1	<p>Specified Person is defined to mean</p> <p>(a) any person other than an individual or a HUF; or</p> <p>(b) an individual or a HUF whose business turnover exceeds ₹ 1 crore or professional gross receipts exceed ₹ 50 lakh in the tax year immediately preceding the year in which the income is credited or paid.</p>
2	<p>Designated Person is defined to mean:</p> <p>(a) the Central Government, any State Government or local authority;</p> <p>(b) any statutory corporation, authority or body constituted under any Central, State or Provincial law (including housing, planning or development authorities);</p> <p>(c) any company, co-operative society, firm, trust, society;</p> <p>(d) any University or institution deemed to be a university under the University Grants Commission Act, 1956;</p> <p>(e) any foreign Government, foreign enterprise, or any body established outside India; or</p> <p>(f) any individual, Hindu undivided family, association of persons or body of individuals not covered above, whose turnover or gross receipts in the immediately preceding tax year exceed one crore rupees (business) or fifty lakh rupees (profession).</p>
3	<p>Specified Bank is defined to mean any banking company as notified by central government</p>
4	<p>TDS is not required to be deducted in case of following interest payments arising from:-</p> <ol style="list-style-type: none"> 1. National Development Bonds; 2. Notified Debentures and securities issued by the Central government and State Government (other than Saving Bonds, or any other security); 3. Floating rate Bonds or any other security of CG or SG as maybe notified by CG 4. LIC, GIC, or any other insurer in respect of securities owned(including beneficially owned) or any notified country.
5	<p>TDS shall not be deducted from payments made to a contractor engaged in the business of plying, hir-ing, or leasing goods carriages, provided that the contractor owns ten or fewer goods carriages at any time during the financial year, furnishes a declaration along with his PAN to the deductor, and the payer submits the prescribed particulars to the Income-tax authority within the stipulated time.</p>
6	<p>TDS is not required to be deducted in case of dividend in case of LIC, GIC, or any other insurer in re-spect of securities owned(including beneficially owned) or any notified country.</p>



INDIA BUDGET 2026-27

7	Where tax has been deducted under S. 393 (1)(8)(v) provisions for services (other than hosting advertising), TDS shall not be required to be deducted under any other provisions of the Act.
8	The definition of “work” (for Section 393(1)(6)(i) (Sl No 6 (i) of 393(1)) now explicitly includes “sup-ply of manpower to a person to work under his supervision, control, or direction.”.
GENERAL CONSIDERATIONS	
a	As per Section 393 (5) (corresponding to S. 196 of 1961 Act), no deduction of tax shall be made by any person from any sums payable to Government, RBI, a Corporation established under Central Act, a Mutual Fund specified under Schedule VII (Table: Sl. No. 20 or 21).
b	TDS shall be deducted u/s 397 @ 20%(5% in case where deduction is in-respect of payments for goods (u.s 393(1)(8)(ii) and (v) is applicable) or the higher rate as provided under the Act, if PAN is not furnished by the deductee.
c	With effect from October 1, 2026, following persons are not required to obtain TAN : a) Rent paid by non-specified persons (393(1) Sl No 2(i)). b) Purchase of Immovable Property (393(1) Sl No 3(i)). c) Payments by Individuals/HUF for professional services/contracts (393(1) Sl No 6(ii)). d) Payments by other than Specified Person on transfer of Virtual Digital Assets e) Purchase of Immovable property from Non-Resident (393(2)(17))
d	Certificate for nil rate (or lower rate) of tax deduction can be applied electronically for u/s 395
e	No TDS where the deductee furnishes a self- declaration (erstwhile Form 15G/ 15H, new forms to be notified) for deduction of tax in respect of payments of accumulated balance of PF, Insurance Commis-sion, Rental Income, Income from Units of MF / UTI, Interest income, proceeds from LIC and Divi-dend Income.
f	With effect from 1st April 2027, in respect of order to reduce compliance burden Individual / HUF may submit the declaration to Depositories in respect of income from Dividends, Interest from Securities and units of Mutual Fund
g	Certificate for nil rate (or lower rate) of tax deduction can be applied electronically for u/s 395
h	As per Section 393 (5) (corresponding to S. 196 of 1961 Act), no deduction of tax shall be made by any person from any sums payable to Government, RBI, a Corporation established under Central Act, a Mutual Fund specified under Schedule VII (Table: Sl. No. 20 or 21).

INDIA BUDGET

2026-27

(B) On payments to Non-Residents (subject to notes below)					
Rates for deduction of TDS for Non-residents have remain unchanged					
Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	IT Act 1961	IT Act 2025	Rate (%)*
1	Tax on Long Term Capital Gains	(a) For Long Term Gains referred to in S. 214	115E	214	12.5
		(b) Tax on Long Term Capital Gains on Transfer of Equity Share in company or a unit of equity oriented mutual fund or a unit of Business Trust, where STT is paid, exceeding Rs. Rs. 125,000/-	112A	198	12.5
		(c) On income by way of long-term capital gains from unlisted securities u/s 197(4)	112(1)(c) (iii)	197(4)	12.5
		(d) Any other long term capital gain (other than long term gains exempt under entry no 14 and 17 of Schedule II	112	197	12.5
2	Tax on Short Term Capital Gain	(a) On sale of shares or units of mutual funds where STT is paid	111A	196	20
		(b) On sale of shares or units of mutual funds where STT is not paid	45	67	
		(i) In case of companies			35
		(ii) In case of persons other than companies			30
3	Income by the way of Dividend	Referred to in Sr. no.2 to Table in S. 207 (1) (erstwhile the proviso to sub clause (A) of clause (a) of sub section (1) of Section 115A of 1961 Act) (That is from IFSC Unit)	115A	207	10
		Other Dividends	115A	207	20
4	Winning From Lotteries crossword puzzles, card games and other games of any sort (other than winnings from Online gaming)	Payment in excess of Rs. 10,000/-	194B	393(3) (1)	30
5	Winnings from Online Gaming on Net Winnings		194B	393(3) (2)	30
6	Winning From Horse Race	Payment in excess of Rs. 10,000/-	194BB	393(3) (3)	30



INDIA BUDGET 2026-27

(B) On payments to Non-Residents (subject to notes below)					
Rates for deduction of TDS for Non-residents have remain unchanged					
Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	IT Act 1961	IT Act 2025	Rate (%)*
7	Tax on royalty or copyrights or on fees for technical services matters included in industrial policy or under approved agreements by an Indian concern or by Government of India	Where the Agreements is made or entered by a Company after 29th February 1964 and before 31st March, 1976	115A	207	50
		For Other Cases	115A	207	20
8	Tax on Interest	On borrowings in foreign currency:-			
		(a) by an Indian concern or by Government of India other than interest referred in (b) or (c) below	115A (1) (a)	393(2) (6)	20
		(b) On notified infrastructure debt fund	194LB	393(2) (5)	5
		(c) By Specified Companies or Business Trusts (REITs & Invits) under a loan agreement or any long term bond :	194LC	393(2) (4)	4
		i) On Long-term bond or rupee denominated bond listed only on a recognised stock exchange located in any International Financial Services Centre. (Issued on or after the 1st day of April, 2020 but before the 1st day of July, 2023)			
ii) For Bonds issued on or after 1st day of July 2023	194LC	393(2) (4)	9		
9	Income by way of interest from SPV distributed by Business Trusts (REITS & INVITS)	No Threshold Limit	194LBA	393(2) (6)	5
10	Income by way of dividend from SPV distributed by Business Trusts (REITS & INVITS)	No Threshold Limit	194LBA	393(2) (6)	10
11	Income by way of Rent from SPV distributed by REITs (as exempt)	No Threshold Limit	195	393	-

INDIA BUDGET 2026-27

(B) On payments to Non-Residents (subject to notes below)					
Rates for deduction of TDS for Non-residents have remain unchanged					
Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	IT Act 1961	IT Act 2025	Rate (%)*
12	Income other than business income distributed by an Alternate Investment Fund (Category I & II)	No Threshold Limit	194LBB	393(2) (8)	Rates in Force (Refer Note:5)
13	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	393(2) (9)	Rates in Force (Refer Note:5)
14	Income by way of interest to FII or QFI	a) On Rupee denominated Bonds of Indian Company and Government Securities. b) On Municipal debt securities (Income arising on or after 01st April, 2020 but before 1st day of July 2023)	194LD	393(2) (3)	5
15	Payments to Non-Resident Sportsmen/ Entertainer/Sports Association	Other than to a non-resident being an Indian citizen	194E	393(2) (1)	20
16	Income in respect of units of non-residents	No Threshold Limit	196A	393(2) (10)	20% or rate as per treaty (if beneficial)
17	Income from units (i.e. Interest and Dividend) referred to in clause (i) of sub-section (1) of section 208;	No Threshold Limit	196B	393(2) (11)	10
18	Income from units (long-term capital gains) referred to in clause (i) of sub-section (1) of section 208;	No Threshold Limit	196B	393(2) (12)	12.5
19	Income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in section 209		196C	393(2) (13)	10



INDIA BUDGET 2026-27

(B) On payments to Non-Residents (subject to notes below)					
Rates for deduction of TDS for Non-residents have remain unchanged					
Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	IT Act 1961	IT Act 2025	Rate (%)*
20	Income by way of Long Term Capital Gains in respect of bonds or Global Depository Receipts referred to in section 209	No Threshold Limit	196C	393(2) (14)	12.5
21	Income of Foreign Institutional Investor in respect of income covered in S. 210 (1)		196D	393(2) (15)	20% or rate as per treaty
22	Interest from Securities from a Specified Fund	Payment/ credit of Interest from Securities to a Specified fund	196D(1A)	393(2) (16)	10
23	Any other Income	(a) In case of non-resident companies			35%
		(b) In case of non-residents other than foreign companies			30%

Notes:	
1	Surcharge & Cess @ 4% shall be levied additionally. (See below for surcharge)
2	If is not quoted by the deductee TDS shall be deducted at a higher rate prescribed u.s 397 (that is higher of rates in force or rate as per provision or 20%). However, deduction of higher rate is not warranted in following scenario: -in respect of Interest covered u/s 393 (2,3 and 4) -in respect of other payments, subject to conditions as prescribed by the government (under the erstwhile law payments for Royalties, FTS, Dividend, Interest and Capital Gains were covered on compliance of conditions in Rule 37BC)
3	TDS is to be deducted at “Rate in Force”. The term “Rate in force” means rate as per Income Tax Act, 2025 or Relevant DTAA rate, whichever is more beneficial
	GENERAL CONSIDERATIONS
a	Certificate for deduction at lower rate can be applied for Section 393
b	Applicable Surcharge Rates

INDIA BUDGET 2026-27

Surcharge			
Sr. No.	Total Income	Other Income (Other than those chargeable under S.. 196,197,198 & Dividend)	Surcharge on tax on Income u/s 196,197,198 and Dividend
(a)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person		
(i)	- Total income (including dividend income under sections 196, 197, 198) does not exceed Rs. 50 lakh	0%	0%
(ii)	- Total income (including dividend income under sections 196, 197, 198) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore	10%	10%
(iii)	- Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15%	15%
(iv)	- Total income (excluding dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore	25%	15%
(v)	- Total income (including dividend income and income under sections 196, 197, 198) exceeds Rs. 2 crore and not covered by above	15%	15%
(b)	Co-Operative Society	Exceeding Rs. 1 crore	12%
(c)	Foreign Company	Exceeding Rs. 1 crore up to Rs. 10 crores	2%
(d)	Foreign Company	Exceeding Rs. 10 crores	5%



**OVERVIEW OF TCS RATES
FOR THE TAX YEAR 2026-27**

TCS				
TCS RATES FOR TAX YEAR 2026-27				
Sr No	Nature of payment/ transaction covered	Threshold	Existing Rate	Proposed Rate (%) *
1	Alcoholic Liquor for Human Consumption (Note 1) (Note 2)	No Threshold Limit	1	2
2	Tendu Leaves (Note 1) (Note 2)		5	2
3	Timber obtained with or without a Forest Lease (Note 1) (Note 2) (Note 3)		2	2
	Any other Forest Produce obtained under a Forest Lease (Note 1) (Note 2) (Note 3)		2	2
	Any other Forest Produce obtained without Forest Lease (Note 1) (Note 2) (Note 3)		Omitted w.e.f. FY 2025-26	NA
4	Scrap (Note 1) (Note 2)	No Threshold Limit	1	2
5	Minerals, being Coal or Lignite or iron ore (Note 1) (Note 3)		1	2
6	Motor Vehicle & any other goods as may be notified by Central government (Note 4)	Payment in excess of INR 10,00,000	1	1
7	Foreign Remittance under LRS by resident individual towards Medical Treatment purposes or for pursuing Education (Note 6) (Note 7)	Payment in excess of INR 10,00,000	5	2
8	Foreign Remittance under LRS by resident individual for any other purpose (Note 6) (Note 7)	Payment in excess of INR 10,00,000	20	20

INDIA BUDGET 2026-27

TCS				
TCS RATES FOR TAX YEAR 2026-27				
Sr No	Nature of payment/ transaction covered	Threshold	Existing Rate	Proposed Rate (%) *
9	Payment in respect of purchase of “overseas tour program package” including expenses for Travel or hotel stay or boarding or lodging or any such similar or related expenditure (Note 5) (Note 7)	No Threshold Limit	20 Threshold Limit of INR 10,00,000	2
10	Use of Parking Lot or Toll Plaza or Mining and Quarrying (other than of mineral oil) under any contract, licence and lease.		2	2

* General Notes	
(i)	The proposed amendment shall come into effect from 1st April, 2026
(ii)	TCS where PAN is not furnished by Buyer or PAN is invalid TCS shall be collected u/s 397(b)(ii) @ twice the rate applicable or 5%, whichever is higher, if PAN is not furnished by the collected, subject to maximum of 20%. For the purpose of sec 397(d) the provisions of section 397(b)(ii) shall not apply to a non-resident who does not have a PE in India
Other Notes	
Note 1	No TCS shall be collected if a Buyer submits a written declaration to the collector mentioning that such goods to be utilised not for trading purposes but for purposes of manufacturing, processing or producing articles or things or for generating power. Where TCS is not collected because of the declaration, the Seller (person responsible for collecting tax) must forward one copy of the declaration to the jurisdictional Pr. CCIT/ CCIT/ Pr. CIT / CIT on or before the 7th day of the following month.
Note 2	No TCS shall be collected where the Buyer is a public sector Company, the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; a club, and a buyer in the retail sale of such goods purchased by him for personal consumption
Note 3	Vide Finance Act, 2025, the TCS rate on the sale of Timber & other Forest Produce was reduced from 2.5% to 2%. TCS provisions were also made inapplicable on the sale of other Forest Produce obtained without a Forest Lease.



INDIA BUDGET 2026-27

Note 4	No TCS shall be collected where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State, Local Authority, and a public sector company which is engaged in the business of carrying passengers
Note 5	No TCS shall be collected where the buyer is a public Sector Company, Local Authority, or any other person as the Central Government may notify subject to such conditions as may be specified therein
Note 6	TCS shall not be collected by an Authorised Dealer at the time of remittance if TCS has already been collected by the seller on receipts covered Sl No 9 or if the remittance for the purpose of education is out of a loan taken from a Financial Institution as defined under section 129(3)(b).
Note 7	No TCS shall be collected if the buyer is liable to deduct the TDS.

GOODS AND SERVICE TAX ACT

AMENDMENTS IN CGST ACT, 2017

Sr No.	Proposed Amendments
1.	<p>Clause (b) of sub section 3 of Section 15 is being proposed to be amended to do away with the requirement of linking the post-sale discount with an agreement specifically linked to relevant invoices and to refer to issuance of credit note under subsection 1 to section 34, a consequential amendment, where the input tax credit is reversed by the recipient.</p> <p>The proposed amendment seeks to do away with the requirement of linking post-sale discounts to a pre-existing agreement and specific invoices. Instead, it aligns the provision with trade practices by allowing deduction of such discounts subject to issuance of a credit note under Section 34 and reversal of input tax credit by the recipient.</p>
2.	<p>Sub-section (6) of Section 54 is being proposed to be amended to extend the benefit of provisional refund to refunds arising out of inverted duty structure. At present, provisional refunds are mainly available for zero-rated supplies, while taxpayers suffering from inverted duty structure often face long delays in receiving refunds.</p> <p>Further, sub-section (14) of Section 54 is proposed to be amended to remove the minimum threshold limit for claiming refund in cases where goods are exported out of India with payment of tax.</p>
3.	<p>Sub-section (1A) is being proposed to be inserted in Section 101A to provide that the Central Government may, pending the constitution of the National Appellate Authority, by notification empower an existing Tribunal for hearing appeals under section 101B of the CGST Act, 2017; and to provide that the provisions of sub-sections (2) to (13) shall not be applicable where a Tribunal has been so empowered under sub-section (1A). This change shall come into effect from the 1st day of April, 2026.</p>

AMENDMENTS IN IGST ACT, 2017

Sr No.	Proposed Amendments
1.	<p>Clause (b) of sub section 8 of Section 13 is being proposed to be omitted so as provide that the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, that is the location of the recipient of services.</p> <p>Consequently, Charges paid to Intermediary services outside India, would be regarded as Import of Service u/s 2(11) of the IGST Act, 2017 and thus recipient would be required to pay RCM for such import of services. Such RCM paid would be eligible to be claimed as ITC as per section 16 of CGST Act 2017 provided all the requisite conditions are satisfied by the Taxpayer.</p>



RECENT AMENDMENTS IN CGST ACT, 2017

Sr No.	Reference No.	Amendment
1.	11/2025 Central Tax	<p>By an amendment in sub rule 4 of rule 164 now the taxpayer only needs to pay tax relating to the eligible period u/s 128A to claim waiver for that period.</p> <p>It is specifically clarified that no refund will be given for any tax, interest, or penalty already paid, even if it relates to the amnesty-eligible period.</p> <p>They shall come into force on the date of their publication in the Official Gazette.</p>
2.	13/2025 Central Tax	<p>The annual return now separates Input Tax Credit (ITC) into two parts:</p> <ul style="list-style-type: none"> • Table 6A1: ITC that belongs to the previous financial year but was availed in the current year (i.e., ITC of 2023 24 claimed in Apr–Oct 2025). • Table 6A2: Net ITC actually availed in the current financial year (2024 25). <p>Reversal & reclaim linkage</p> <ul style="list-style-type: none"> • ITC reversed under certain GST Rules (like rule 37, 37A, 38, etc.) must be reported in Table 7, and the corresponding reclaimed ITC in Table 6H. • This ties ITC reversal and reclaim clearly in the annual return. <p>IGST on Import of Goods</p> <p>after serial number H and the entries relating thereto, the following shall be inserted namely, “IGST Credit availed on Import of goods in next financial year”.</p>
3.	16/2025 Central Tax	<p>Section 124 is an amendment for section 17(5)(d) of the CGST act which states that for the words “plant or machinery”, the words “plant and machinery” shall be substituted and shall be deemed to have been substituted with effect from 01/07/2017.</p> <p>It is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.</p>

INDIA BUDGET 2026-27

Sr No.	Reference No.	Amendment
4.	18/2025 Central Tax	<p>Rule 14A has been inserted in the CGST Rules, 2017 to provide an option to taxpayers having monthly output tax liability below the prescribed threshold limit which is upto INR 2.5 lakhs.</p> <p>Under this rule, eligible taxpayers may opt for a simplified mechanism for payment of tax and compliance, subject to such conditions and restrictions as may be notified. The objective of inserting Rule 14A is to reduce the compliance burden and improve ease of doing business for small taxpayers, while ensuring adequate safeguards for revenue.</p>

GST CIRCULARS

Sr No.	Circular No.	Amendment
1.	247/04/2025	<p>Based on the 55th GST Council Meeting, pepper of the genus Piper (green, white or black) is classifiable under HSN 0904 and attracts 5% GST as per Notification No. 1/2017-CT (Rate). However, u/s 23(1)(b) of the CGST Act, 2017, agriculturists are not liable to GST on produce from cultivation. Accordingly, dried pepper and raisins supplied by agriculturists from their own plantations are exempt and do not require GST registration.</p> <p>Ready-to-eat popcorn mixed with salt and spices falls under HSN 2106 90 99 and attracts 5% GST if not pre-packaged and labelled, and 12% if pre-packaged and labelled, while caramel popcorn attracts 18% GST under HSN 1704 90 90. Past disputes up to 14/02/2025 have been regularized.</p> <p>Further, Notification No. 03/2023-Compensation Cess (Rate) clarifies that compensation cess on specified utility vehicles is prospective from 26/07/2023.</p>
2.	248/05/2025-GST	<p>Implementation of Section 128A of the CGST Act, 2017, which allows waiver of interest or penalty on demands u/s 73 for the period 01/07/2017 to 31/03/2020. It specifies that tax payments made via GSTR 3B before 01/11/2024 will be treated as valid for Section 128A purposes, even though Rule 164 generally requires payment through DRC 03. Taxpayers can pay tax for the eligible period, file FORM SPL 01 or SPL 02, and notify the appellate authority to withdraw appeals only for that period, while continuing appeals for the remaining periods. The circular supersedes conflicting guidance in Circular No. 238/32/2024 GST.</p>



Sr No.	Circular No.	Amendment
7.	249/06/2025-GST	CBIC clarified that earlier circulars requiring a Document Identification Number (DIN) on all taxpayer communications are modified for GST portal-generated documents. Communications issued through the GST common portal already carry a unique, verifiable Reference Number (RFN) that captures key details such as date, module, type of communication, and issuing office. Under Section 169(1)(d) of the CGST Act and Instruction 4/2023-GST, electronic service via the portal is valid. Therefore, requiring an additional DIN is redundant. Any GST communication bearing an RFN is a valid service, and quoting a separate DIN is no longer required.
7.	251/08/2025 Central Tax	By this circular following clarifications are provided: On the treatment of post-sale or secondary discounts under GST. It clarifies that recipients of supply need not reverse Input Tax Credit when suppliers issue financial or commercial credit notes that do not reduce the GST charged on the original invoice. Discounts provided by manufacturers to dealers to enable competitive pricing, which are not linked to any separate service, are not treated as consideration for GST purposes. However, post-sale discounts given to dealers for specific promotional activities, explicitly defined in agreements, are taxable as consideration for distinct services.
Sr No.	Circular No.	Amendment
1.	247/04/2025	Based on the 55th GST Council Meeting, pepper of the genus Piper (green, white or black) is classifiable under HSN 0904 and attracts 5% GST as per Notification No. 1/2017-CT (Rate). However, u/s 23(1)(b) of the CGST Act, 2017, agriculturists are not liable to GST on produce from cultivation. Accordingly, dried pepper and raisins supplied by agriculturists from their own plantations are exempt and do not require GST registration. Ready-to-eat popcorn mixed with salt and spices falls under HSN 2106 90 99 and attracts 5% GST if not pre-packaged and labelled, and 12% if pre-packaged and labelled, while caramel popcorn attracts 18% GST under HSN 1704 90 90. Past disputes up to 14/02/2025 have been regularized. Further, Notification No. 03/2023-Compensation Cess (Rate) clarifies that compensation cess on specified utility vehicles is prospective from 26/07/2023.

INDIA BUDGET 2026-27

CGST Rate Notification No. 9

Sector	Amended GST Rate	Previous GST Rate (Approx.)	Change / Impact
Healthcare & Life-Saving	2.50%	0%, 5%, or 12%	Mostly reduced & unified; earlier rates varied widely across drugs, devices, and diagnostics
Agriculture & Food	2.50%	0%, 5%, 12%	Essentials were exempt/5%; machinery often 12% → lowered overall
Renewable Energy	2.50%	5% or 12%	Significant rate cut to promote clean energy
High-Tech & Aerospace	2.50%	18% or 28%	Major reduction to support strategic & advanced manufacturing
Maritime & Shipping	2.50%	12% or 18%	Lowered to boost shipping, logistics, and shipbuilding
Metals & Minerals	9%	5% or 18%	Rationalised to a mid-rate, reducing volatility
Industrial Chemicals	9%	18%	Substantial reduction for industrial inputs
Petroleum & Energy	9%	5%–18% (some exclusions)	Simplified & reduced average burden
Capital Goods	9%	18%	Halved, encouraging capital investment
Transportation	9%	18% or 28%	Lowered, especially for public and goods transport
Precious Metals	1.50%	3%	Reduced by half
Diamonds (Rough)	0.13%	0.25%	Reduced
Worked Gemstones	0.75%	3%	Sharp reduction to support gem & jewellery exports
Luxury & Personal Use	20%	28% + cess (≈40–50%)	Lower than earlier effective rate, cess structure removed
Demerit Goods (Tobacco, Pan Masala)	14%	28% + cess (≈40%)	Lower headline rate, though earlier cess made it higher
Beverages (Sugary / Carbonated)	20%	28% + cess	Reduced vs earlier effective burden
Actionable Claims (Gambling, Betting)	20%	28%	Moderate reduction



CUSTOMS ACT, 1962

Amendments carried out through the Finance Bill, 2026, will come into effect on the date of its enactment, unless otherwise specified.

Sr no.	Proposed Amendment
1.	Sub Section (2) of Section 1 is being proposed to be amended by extending the jurisdiction of the said Act beyond the territorial waters of India for the purpose of fishing and fishing related activities.
2.	Section 2 of the Customs Act proposes to insert a new definition of the expression “Indian-flagged fishing vessel”.
3.	Sub Section (6) of section 28 is being proposed to be amended in the sense that 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.
4.	Sub-section (2) of section 28J is being proposed to amend to provide that advance ruling under sub-section (1) of that section shall remain valid for a period of five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier. It further seeks to substitute the proviso to the said sub-section so as to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall upon a request by the applicant, extend the validity for five years from the date of the ruling.
5.	Section 56A is being proposed to be inserted which seeks to provide special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. It seeks to provide that fish harvested beyond the territorial waters of India may be brought into India free of duty and to treat fish that has landed at foreign port as export of goods in such manner as may be provided by rules. It further seeks to make regulations to provide for the form and manner of making an entry in respect of fish harvested by an Indian-flagged fishing vessel including its declaration, custody, examination, assessment of duty, clearance, transit or transshipment.
6.	Section 67 of the Customs Act is being substituted in a way that the prescribed requirement relating to prior approval of proper officer before removal of the warehoused goods from one custom bonded warehouse to another shall not stand.
7.	Clause (b) of section 84 is being proposed to be amended that for the words “the examination”, the words “the custody, examination” shall be substituted. The amendment seeks to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under this section.

INDIA BUDGET

2026-27

Sr no.	Proposed Amendment					
8.	A.	Modification in Tariff rate (to be effective from 02.02.2026) * [Clause 136(a) of the Finance Bill, 2026]		Rate of Basic Customs Duty		
		<i>*Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023</i>				
	S. No.	Heading, sub-heading, tariff item	Commodity	From (%)	To (%)	
	MSME sector					
	1.	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or Rs. 60 per piece, whichever is higher	
	2.	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher	
	B.	Decrease in Tariff rate (to be effective from 01.04.2026) [Clause 136(b) of the Finance Bill, 2026]		Rate of Basic Customs Duty		
	1.	9804	All dutiable goods, imported for personal use	20%	10%	
	C.	Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] * [Clause 136(c) of the Finance Bill, 2026]		Rate of Duty		
		*Note: 1. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged. 2. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub- heading.				



Sr no.	Proposed Amendment			
	The said changes are to be read with consequent amendments related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC).			
S. No.	Heading, sub-heading tariff item	Commodity	From	To
(1)	(2)	(3)	(4)	(5)
1.	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2.	0306 36 60	Artemia	5%	Nil
3.	0511 91 40	Artemia cysts	5%	Nil
4.	0802 11 00	Almonds, in shell	Rs.42 per kg	Rs.35 per kg
5.	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs. 100 per kg
6.	0802 31 00	Walnuts, in shell	120%	100%
7.	1209 (other than those falling under sub headings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
8.	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9.	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10.	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11.	2309 90 31	Prawn and shrimps feed	15%	5%
12.	2504	Natural graphite	5%	2.5%
13.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of the Customs Tariff Act, 1975	5%	Nil

INDIA BUDGET 2026-27

Sr no.	Proposed Amendment			
14.	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
15.	2530 90 91	Strontium sulphate (natural ore)	5%	Nil
16.	2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17.	2709 00 10	Petroleum crude	5%	Re 1 per tonne
18.	2804 50 20	Tellurium	5%	Nil
19.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20.	2804 69 00	Silicon, other	5%	Nil
21.	2804 90 00	Selenium	5%	Nil
22.	2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23.	2809 20 10	Phosphoric Acid	7.5%	5%
24.	2811 22 00	Silicon dioxide	7.5%	2.5%
25.	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
26.	2822 00 10	Cobalt oxides	7.5%	Nil
27.	2822 00 20	Cobalt hydroxides	7.5%	Nil
28.	2822 00 30	Commercial cobalt oxides	7.5%	Nil
29.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30.	2825 30	Vanadium oxides and hydroxides	7.5%	Nil
31.	2825 60 10	Germanium oxides	7.5%	Nil
32.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
33.	2825 80 00	Antimony Oxides	7.5%	Nil
34.	2825 90 20	Cadmium oxide	7.5%	Nil



INDIA BUDGET 2026-27

Sr no.	Proposed Amendment			
35.	2827 35 00	Chlorides of Nickel	7.5%	Nil
36.	2827 39 30	Strontium chloride	7.5%	Nil
37.	2833 24 00	Sulphates of Nickel	7.5%	Nil
38.	2834 21 00	Nitrates of potassium	7.5%	Nil
39.	2836 91 00	Lithium carbonates	7.5%	Nil
40.	2836 92 00	Strontium carbonate	7.5%	Nil
41.	2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
42.	2918 15 30	Bismuth citrate	7.5%	Nil
43.	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%
44.	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
45.	3808 93 30	Gibberellic acid	10%	5%
46.	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms 10%	7.5%	
47.	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil
48.	5201 00 25	Other cotton of staple length exceeding 32.0 mm.	5%	Nil
49.	7202 60 00	Ferro-nickel	2.5%	Nil
50.	7402 00 10	Blister copper	5%	Nil
51.	7802	Lead waste and scrap	5%	Nil
52.	7902	Zinc waste and scrap	5%	Nil

INDIA BUDGET 2026-27

Sr no.	Proposed Amendment				
	53.	8105 20 30	Cobalt powders	5%	Nil
	54.	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%
NEW TARRIF LINES HAVE BEEN CREATED AS FOLLOWS:					
S. No.	Chapter/ heading/ sub- heading/ tariff item mentioned in notification	Commodity	New tariff item being created w.e.f. 01.05.2026	Rate of duty	
(1)	(2)	(3)	(4)	(5)	
55.	0306 19 00	Krill, frozen	0306 19 10	15%	
56.	0802 99 00	Pecan Nuts	0802 99 10	30%	
57.	0810 40 00	Cranberries, fresh	0810 40 10	10%	
58.	0810 40 00	Blueberries, fresh	0810 40 20	10%	
59.	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%	
60.	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%	
61.	0813 40 90	Cranberries, dried	0813 40 30	10%	
62.	0813 40 90	Blueberries, dried	0813 40 40	10%	
63.	1207 99 90	Shea Nuts	1207 99 50	15%	
64.	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%	



INDIA BUDGET 2026-27

Sr no.	Proposed Amendment			
65.	2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
66.	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 (other than 2106 90 51)	50%
67.	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68.	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
69.	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70.	2841	Ammonium metavanadate	2841 90 10	2.5%
71.	29	Gibberellic acid	2932 20 40	5%
72.	29	Triethyl orthoformate	2915 90 96	5%
73.	29	Diethyl malonate	2917 19 22	5%
74.	29	DL-2 Aminobutanol	2922 19 30	5%
75.	29	Aceto butyrolactone	2932 20 50	5%
76.	29	Artemisinin	2932 99 30	5%
77.	29	Thymidine	2934 99 50	5%
78.	3302 10	Mixtures of odoriferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%

INDIA BUDGET 2026-27

Sr no.	Proposed Amendment				
79.	4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10, 4106 31 10, 4106 91 10	Nil	
80.	4702	Rayon grade wood pulp	4702 00 10	2.5%	
81.	4823 90 90	All goods other than kites	4823 90 90 (kites fall under new tariff item 4823 90 40)	10%	
82.	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%	
83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%	
84.	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%	
85.	8507 90	Battery separators	8507 90 20	5%	
86.	8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%	
87.	8609 00 00	Refrigerated containers	8609 00 10	5%	



Amendment to Rules Under Customs Act, 1962

Sr. No	Proposed Amendments
1.	The Baggage Rules, 2016 are being superseded by the Baggage Rules, 2026 with effect from midnight of 02.02.2026 to rationalize baggage provisions and address passenger-related concerns at airports. The new rules seek to resolve interpretational issues that led to inconsistent application under the earlier framework. They provide clarity on the temporary carriage of goods brought into or taken out of India to avoid unnecessary detention or disputes at the time of customs clearance. Further, the Transfer of Residence provisions have been restructured for Indian residents and foreign professionals based on the duration of stay, aligning benefits with contemporary travel and employment patterns.
2.	Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' is being created. This is being done by amending the existing Deferred Payment of Import Duty Rules, 2016.

Changes in Basic Custom Duty Rates in Notifications

Changes in Basic Customs Duty (to be effective from 02.02.2026)			Rates of Duty	
Sl. No.	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
1.	2612 20 00	Monazite <i>[vide insertion of S. No. 84A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]</i>	2.5%	Nil
2.	2841 90 00	Sodium antimonate for use in manufacture of solar glass <i>[vide insertion of S. No. 110A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]</i>	7.5%	Nil
3.	2815 20 00	Potassium hydroxide <i>[vide omission of S.No. 21 in notification No. 36/2024-Customs dated 23.07.2024]</i>	Nil	7.5%

INDIA BUDGET 2026-27

Changes in Basic Customs Duty (to be effective from 02.02.2026)			Rates of Duty	
Sl. No.	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
4.	8401 30 00	All goods for generation of nuclear power <i>[vide insertion of S.No. 227A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]</i>	7.5%	Nil
5.	8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power <i>[vide insertion of S.No. 227B in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]</i>	7.5%	Nil
6.	8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00 <i>[vide insertion of S.No. 278A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]</i>	As applicable	Nil

Other Changes Proposed in the Custom Notification

Sr No.	Proposed Amendments
1.	S. No. 69A of notification No. 25/2002 dated 1st March, 2002 is being modified to extend the BCD exemption currently available on capital goods for use in the manufacturing of Lithium- Ion Cells for batteries of Electrically Operated Vehicles, to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS) also. This change is being made effective from 02.02.2026.
2.	The List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 17 new drugs/medicines for extending BCD exemption. This change is being made effective from 02.02.2026.
3.	The List 22 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 7 rare diseases that are a part of National Policy for Rare Disease (NPRD), 2021 for extending custom duty exemption on drugs, medicines and food for special medical purposes, when imported for personal use. This change is being made effective from 02.02.2026



Review of Customs Duty Exemptions

Review of exemptions/concessional rates of BCD prescribed in notification No. 45/2025-Customs dated 24.10.2025

A comprehensive review has been undertaken in respect of 124 conditional exemptions/concessional duty rate entries in notification No. 45/2025-Customs dated 24.10.2025 whose validity is expiring on 31.03.2026. After review, 102 entries are being continued, with or without modification, for two years, i.e. upto 31.03.2028. Further, 22 entries are being allowed to lapse on the end-date of 31.03.2026.

The following 22 conditional exemption entries of notification no. 45/2025-Customs dated 24.10.2025 are being allowed to lapse on the 31.03.2026:

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
In TABLE I of notification No. 45/2025-Customs			
1.	93	Naphtha, for use in the manufacture of fertilisers	31.03.2026
2.	95	Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in Special Economic Zone (SEZ) and returned by the DTA unit to the SEZ unit from where such LPG were received.	31.03.2026
3.	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	31.03.2026
4.	117	Maltol, for use in the manufacture of deferiprone	31.03.2026
5.	145	Specified goods imported for the manufacture of Copper-T contraceptives	31.03.2026
6.	154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables	31.03.2026
7.	172	Hydrophilic non-woven, hydrophobic non- woven, imported for use in the manufacture of adult diapers	31.03.2026
8.	201	Spent catalyst or ash containing precious metals	31.03.2026
9.	218	Metal parts for use in the manufacture of electrical insulators	31.03.2026

INDIA BUDGET 2026-27

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
10.	219	Pipes and tubes for use in manufacture of boilers	31.03.2026
11.	231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators	31.03.2026
12.	236	Zeolite for use in the manufacture of wash coat for catalytic converters	31.03.2026
13.	243	High speed cold-set or high-speed heat set web offset rotary printing machines along with mail room equipment	31.03.2026
14.	271	Cash dispenser or automatic banknote dispenser and its parts and components	31.03.2026
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	31.03.2026
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from	31.03.2026
17.	291	Parts and Components of digital still image video cameras	31.03.2026
18.	309	Raw materials or parts for use in manufacture of e-Readers	31.03.2026
19.	370	X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use	31.03.2026
20.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use	31.03.2026
21.	397	Parts of video games for the manufacture of video games	31.03.2026
In TABLE IV of notification No. 45/2025-Customs			
22.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	31.03.2026

Upon review, the following unconditional exemption/ concessional duty rate entries of notification no. 45/2025-Customs dated 24.10.2025 are being lapsed by omitting the respective entries with effect from 02.02.2026:



INDIA BUDGET 2026-27

Sl. No.	S. No. of TABLE I in Notification No. 45/2025- Customs	Brief Description
1.	1	Animals and birds imported by Zoo
2.	113	Alpha pinene
3.	123	Artificial plasma
4.	128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure or for the production of complex fertilisers
5.	132	Potassium sulphate, containing not more than 52% by weight of potassium oxide*
6.	137	Other diagnostic or laboratory reagents falling under tariff item 3822 90 90*
7.	213	INVAR
8.	258	Coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee
9.	285	Parts of radio trunking terminals
10.	287	CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers
11.	310	Loco simulators

*Effective BCD rate will remain the same for Sl.No. 5 and 6

Other changes in the exemption entries of notification No. 45/2025-Customs:

Sunset-clause for the following entries is being removed with effect from 02.02.2026

Sl. No.	S. No. of TABLE I in notification No. 45/2025- Customs	Brief Description
1.	303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527. *The said entry is being omitted w.e.f 1st May, 2026 as the applicable rates will be incorporated in Tariff itself.
2.	353	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8901)
3.	356	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8906)

The following exemption entries of notification No. 45/2025-Customs are being omitted with effect from 02.02.2026 as these are redundant. The effective BCD rate would remain the same and will apply from First Schedule of the Customs Tariff Act, 1975. The details are as under:

INDIA BUDGET 2026-27

Sl. No.	S. No. of TABLE I in notification No. 45/2025- Customs	Brief Description
1.	139	Ethylene vinyl acetate (EVA)
2.	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)
3.	217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00, 7318 29 90

Export Promotion Measures

Sr No.	Proposed Amendments
1.	The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year.
2.	The time period of export of textile/leather garments, leather/synthetic footwear or any other leather product by exporters is being extended from six months to twelve months.
3.	The benefit of duty exemption on inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also.

Amendment in Customs

Sr No.	Reference No.	Amendment
1.	12/2025	<p>India's Central Government has imposed a definitive anti-dumping duty on imports of Titanium Dioxide (pigment used in paints, coatings, plastics) from China PR.</p> <p>Note-Customs classification is only indicative, and the determination of anti-dumping duty shall be made as per the description of the product under consideration.</p> <p>The anti-dumping duty will be applicable for 5 years from the date this notification is published in the Official Gazette, unless it is changed or withdrawn earlier.</p> <p>The duty must be paid in Indian currency.</p> <p>The exchange rate used to calculate the duty will be the rate notified by the Ministry of Finance.</p> <p>The relevant date for the exchange rate will be the date on which the bill of entry is filed under the Customs Act.</p>



Customs Circular

Sr No.	Circular No.	Amendment
1.	Circular No. 04/2025-Customs	<p>Customs introduces a major procedural reform with the launch of “Ekal Anubandh”, a single multi-purpose electronic bond (SEB) system. Under this system, importers and exporters can submit one electronic bond via the ICEGATE portal to cover multiple customs obligations—such as provisional assessment, warehousing, export promotion schemes, and Section 143 procedures—eliminating the need for separate bonds at each port or transaction. The process is fully digital, paperless, and contactless, supporting e-signatures, electronic stamp duty payment, and e-Bank Guarantee linkage. The SEB can also be amended or updated electronically to include new obligations or revise bond value, thereby simplifying compliance, reducing administrative burden, and speeding up customs procedures in line with trade facilitation and digital transformation goals.</p>
2.	Circular No. 05/2025-Customs	<p>Customs deals with the automation of refund application and processing under the Customs Act, 1962.</p> <p>Applicants file refunds online via ICEGATE with documents like unjust enrichment certificates; a Unique Application Reference Number (ARN) generates immediately.</p> <p>Officers scrutinize within 10 days, issue deficiency memos or acknowledgments electronically, and communicate orders or show-cause notices via the portal.</p> <p>Approved refunds credit directly to registered bank accounts via PFMS; Consumer Welfare Fund transfers noted in orders</p>
5	Circular No. 08/2025-Customs	<p>The circular addresses divergent interpretations on whether complete camera modules imported for mobile phone assembly qualify as parts of telephones (CTH 8517) or standalone optical instruments/appliances under CTH 9006, promoting consistency in tariff application.</p> <p>Camera modules with integrated lens, sensor, and circuitry designed exclusively for cellular mobile phones are classifiable under CTH 9006 91 00 as “parts and accessories of photographic cameras,” attracting basic customs duty at 10%.</p> <p>Covers modules imported by mobile manufacturers; excludes standalone sensors or simple PCBs without optical assemblies.</p>

INDIA BUDGET 2026-27

Sr No.	Circular No.	Amendment
6	Circular No. 09/2025-Customs	<p>The circular lays down a standardized procedure for import and export of goods through personal carriage, especially aimed at facilitating the movement of gems and jewellery, high value samples and prototypes carried by air passengers.</p> <p>Covers gems/jewelry exports at 9 airports (Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Jaipur, Coimbatore, Hyderabad, Kochi); imports at 7 major airports; samples/prototypes initially at Delhi, Mumbai, Bengaluru, Chennai.</p> <p>Mandatory e-filing of Bills of Entry (BE) and Shipping Bills (SB) on ICEGATE with details like e-ticket, PNR, passport, IEC, AD code; unique numbers issued for tracking.</p>
9	Circular No. 12/2025-Customs	<p>This clarifies the tariff classification and Basic Customs Duty (BCD) rates for Interactive Flat Panel Displays (IFPDs) and other monitors under HSN 85285900. Post Union Budget 2025 26, IFPDs attract 20% BCD, while other monitors remain at 10% BCD without IGCR conditions. The circular distinguishes IFPDs from regular monitors based on touch capability, screen size, interactive features, and built-in software/speakers, ensuring consistent classification. Parts of IFPDs, such as touch glass sheets and touch sensor PCBs, are classified under HS 8529 at 5% BCD.</p>



EXCISE DUTY

Amendment in Central Excise Duty

Sr No.	Proposed Amendments
1.	The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on such Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.
2.	The implementation of levy of additional excise duty of INR 2 per litre on unblended diesel is being deferred till 31/03/2028, by amending notification No. 11/2017-Central Excise dated 30/06/2017 vide notification No. 02/2026-Central Excise dated 01/02/2026.

Amendment to Seventh Schedule to the Finance Act, 2001 to revise the National Calamity Contingent Duty (NCCD) Rate with effect from 01/05/2026 with no change in the effective duty rate*

Sr No.	Description	NCCD Rate	
		From (%)	To (%)
1	Chewing tobacco	25%	60%
2	Jarda scented tobacco	25%	60%
3	Other	25%	60%

**Effective duty rate will be maintained at 25% by notification*

Unless otherwise specified, amendments carried out through the Finance Bill, 2026 will come into effect from the date when the same will be notified concurrently, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature

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