



*Demystifying Complexities*

# INDIA UNION BUDGET 2026

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February 2026

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# Preface

Hon'ble Finance Minister, Ms Nirmala Sitharaman, presented the Union Budget for FY 2026-27 on 1 Feb 2026. It focuses on keeping India's economy stable while encouraging long-term growth. The economy remains strong with good GDP growth, healthy financial markets and rising foreign investments. Government aims to continue reducing fiscal deficit and improving efficiency by simplifying rules, merging similar schemes and making it easier for business & individuals to comply with tax laws.

The Budget marks implementation of new Income-tax Act, 2025, a complete overhaul of the 1961 Act. While tax slabs remain same, Budget makes compliance easier by extending deadlines and allowing taxpayers to correct past filings more smoothly. Special one-time disclosure scheme is announced for small taxpayers with minor foreign assets benefiting students, young professionals & returning NRIs.

The Budget also gives strong push to International Financial Services Centres, GIFT City, Data Centres & technology-related services by offering long-term tax benefits to attract global companies. To support manufacturing, Government has rationalized customs duties reducing input costs & boost exports especially in labor-intensive sectors viz. electronics, aerospace, defense, renewable energy & footwear.

To improve trade processes, Budget introduces a new digital customs system, AI-based scanning and automatic clearance for low-risk consignments, which will help reduce delays and make India more competitive globally. Recognizing the importance of job creation, Budget includes several skilling initiatives for MSMEs, tourism, healthcare, hospitality & other services, ensuring youth are better prepared for future opportunities.

Overall, Budget reflects a steady and confidence driven approach focused on economic stability, simplification, skill development, investment promotion and long-term competitiveness.

# Abbreviations

AIF	Alternative Investment Fund
ALP	Arm's Length Price
AO	Assessing Officer
AY	Assessment Year
CGST	Central Goods & Services Tax
DTA	Domestic Tariff Area
ERM	Extension, Renovation & Modernisation
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
FPO	Farmer Producer Organization
FSDC	Financial Stability & Development Council
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
GCC	Global Capability Center
GIFT	Gujarat International Finance Tec-City
GST	Goods & Services Tax
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IIS	Indian Institute of Science
IIT	Indian Institute of Technology
IMS	Invoice Management System
INR	Indian Rupees
InvIT	Infrastructure Investment Trust
ISD	Input Service Distributor
ITC	Input Tax Credit
IT Act	Income-tax Act, 1961

ITR	Income Tax Return
KCC	Kisan Credit Cards
KYC	Know Your Customer
MSME	Micro, Small & Medium Enterprises
NaBFID	National Bank for Financing Infrastructure & Development
NPS	National Pension Scheme
NSS	National Savings Scheme
PF	Pension Fund
RCM	Reverse Charge Mechanism
REIT	Real Estate Investment Trust
SEBI	Securities Exchange Board of India
SEP	Significant Economic Presence
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
SUUTI	Specified Undertaking of Unit Trust of India
SWF	Sovereign Wealth Fund
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TPO	Transfer Pricing Officer
UDAN	Ude Desh ka Aam Nagarik
UIM	Unique Identification Marking
ULIP	Unit Linked Insurance Policy
UPI	Unified Payments Interface
VDA	Virtual Digital Asset
AVGC	Animation, Visual Effects, Gaming and Comics
COSMOS	Cosmic Origin Spectrograph for Multiple Object Studies

# Abbreviations

STEM	Science, Technology, Engineering and Mathematics
AYUSH	Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy
WHO	World Health Organization
IIM	Indian Institute of Management
NSQF	National Skills Qualifications Framework
PFC	Power Finance Corporation
REC	Rural Electrification Corporation
NBFC	Non-Banking Financial Company
FEMA	Foreign Exchange Management Act
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
SHAKTI	Strategy for Healthcare Advancement through Knowledge, Technology and Innovation
ISM	India Semiconductor Mission
IP	Intellectual Property
CPSE	Central Public Sector Enterprise
CIE	Construction and Infrastructure Equipment
SAMARTH	Skill Advancement and Modernisation of Textile Workforce
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
GeM	Government e-Marketplace
TReDS	Trade Receivables Discounting System
ICAI	Institute of Chartered Accountants of India
ICSI	Institute of Company Secretaries of India
ICMAI	Institute of Cost Accountants of India
AI	Artificial Intelligence
VISTAAR	Virtually Integrated System to Access Agricultural Resources

ICAR	Indian Council of Agricultural Research
NIIF	National Investment and Infrastructure Fund
BCD	Basic Customs Duty
MAT	Minimum Alternate Tax
ALIMCO	Artificial Limbs Manufacturing Corporation of India
AEOs	Authorised Economic Operators
TY	Tax Year
TAN	Tax Deduction / Collection Account Number
CBDT	Central Board of Direct Taxes
RFCLARR Act	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
TP	Transfer Pricing
SFT	Statement of Financial Transactions
CIT(A)	Commissioner of Income-tax (Appeals)
ITAT	Income-tax Appellate Tribunal
DRP	Dispute Resolution Panel
APA	Advance Pricing Agreement
AE	Associated Enterprises
OBU	Off-shore banking units
LRS	Liberalised Remittance Scheme
DIN	Document Identification Number
PAN	Permanent Account Number
NPO	Non-Profit Organisation
MEITY	Ministry of Electronics & Information Technology
RBI	Reserve Bank of India
NaFAC	National Faceless Assessment Centre

# Government's Resolution

***To focus on poor, underprivileged and disadvantaged***

## First Duty

Accelerate and sustain economic growth

- Enhancing productivity and competitiveness
- Building resilience to volatile global dynamics

## Second Duty

Fulfil people aspirations

- Build people's capacity
- Making them strong partners in India's path to prosperity

## Third Duty

Vision of Inclusive Growth for all

- Ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation

# KEY PILLARS OF GROWTH AND DEVELOPMENT

## Pillar 1: Sustaining Economic Growth



## Pillar 2: Strengthening the Foundations of Growth



## Pillar 3: People-Centric Development



## Pillar 4: Trust-based Governance



# Key Pillars

## Pillar 1



### Sustaining Economic Growth

Manufacturing - Strategic & Frontier Sectors

Creating 'Champion SMEs' & Supporting Micro Enterprises

Health & Care Services Sector

Tourism & Hospitality Sector

Education & Allied Sectors

Finance Sector

Agriculture & Allied Sectors

# Pillar 1: Sustaining Economic Growth

## Manufacturing - Strategic & Frontier Sectors

- **Biopharma SHAKTI** - INR 10,000 Crore initiative to make India a global hub for biologics & biosimilars
- **India Semiconductor Mission (ISM) 2.0** - ISM 2.0 to strengthen equipment, materials, IP & semiconductor talent ecosystem
- **Electronics Components Manufacturing Scheme** - Outlay enhanced to INR 40,000 Crore to accelerate electronics component manufacturing
- **Rare Earth Permanent Magnets** - To establish dedicated Rare Earth Corridors for mining, processing, research & manufacturing
- **Chemical Parks Scheme** - To establish three plug-and-play clusters to boost domestic chemical production & cut imports
- **Hi-Tech Tool Rooms in CPSEs** - Two Hi-Tech Tool Rooms to enable precision manufacturing at scale
- **Scheme for Container Manufacturing** - INR 10,000 Crore scheme to build a global container manufacturing ecosystem
- **Construction & Infrastructure Equipment (CIE)** - New scheme to boost domestic manufacturing of advanced CIE

# Pillar 1: Sustaining Economic Growth

## Manufacturing - Strategic & Frontier Sectors

- **Integrated Programme for Textiles -**
  - ✓ National Fibre Scheme – Promote self-reliance in natural, man-made & new-age fibres
  - ✓ Textile Expansion & Employment – Modernisation of clusters through machinery, technology & testing support
  - ✓ National Handloom & Handicraft – Integrated & targeted support for weavers & artisans
  - ✓ Tex-Eco Initiative – Sustainable & globally competitive textiles & apparel
  - ✓ Samarth 2.0 – Industry-linked skilling through academia collaboration
  - ✓ Mega Textile Parks – Mega Textile Parks in challenging mode to be set up
- **Sports Goods Manufacturing** - Dedicated initiative to position India as a global sports goods hub
- **Rejuvenation of Legacy Industrial Clusters** - Revival of 200 clusters through infrastructure & technology upgrade

# Pillar 1: Sustaining Economic Growth

## Creating 'Champion SMEs' & Supporting Micro Enterprises

- **Equity Support -**
  - ✓ INR 10,000 Crore SME Growth Fund to create future Champions
  - ✓ INR 2,000 Crore top-up to Self-Reliant India Fund for micro enterprises
- **Liquidity Support -**
  - ✓ TReDS mandated for CPSE purchases to improve MSME payments
  - ✓ Credit guarantee support for invoice discounting via CGTMSE
  - ✓ Link GeM with TReDS for faster, cheaper financing
  - ✓ Introduce TReDS receivables as asset-backed securities to boost liquidity
- **Professional Support -** Government to facilitate professional institutions such as ICAI, ICSI, ICMAI to develop 'Corporate Mitras' especially in Tier-II & Tier-III towns, to help MSME meet compliance requirements at affordable costs

# Pillar 1: Sustaining Economic Growth

## Health & Care Services Sector

- **Strengthening Allied Health Education Infrastructure** - To upgrade & establish new institutions for Allied Health Professionals in Government & private sectors
- **Skilling and Capacity Building of Caregivers** - To develop a variety of NSQF-aligned programmes to train 1.5 Lakh multi-skilled caregivers
- **Regional Medical Infrastructure Development** - Support to States to establish 5 Regional Medical Hubs in partnership with the private sector
- **Promotion of Ayurveda & Traditional Medicine Systems** - To set-up 3 new All India Institutes of Ayurveda & upgrade AYUSH pharmacies, Drug Testing Labs for higher certification standards and strengthen the WHO Global Traditional Medicine Centre



# Pillar 1: Sustaining Economic Growth

## Tourism & Hospitality Sector

- **National Hospitality Education & Industry Integration** - To set up a National Institute of Hospitality as a bridge between academia, industry & Government
- **Capacity Building of Tourist Guides** - Pilot scheme to train 10,000 guides at 20 iconic sites through a 12-week hybrid programme with IIMs
- **Digital Preservation of Cultural & Heritage Assets** - To establish National Destination Digital Knowledge Grid for digital documentation of cultural, spiritual & heritage sites to generate local employment
- **Promotion of Eco-Tourism & Nature Trails** - To develop ecologically sustainable Mountain, Turtle & Bird watching trails across Himalayan, coastal & ghats regions
- **Global Big Cat Conservation Initiative** - To host first Global Big Cat Summit under the International Big Cat Alliance
- **Development of Buddhist Tourism Circuits** - To develop Buddhist Circuits in North East Region
- **Experiential Development of Archaeological Sites** - To develop 15 archaeological sites into experiential cultural destinations using immersive storytelling & curated access

# Pillar 1: Sustaining Economic Growth

## Education & Allied Sectors

- **Education to Employment & Enterprise Standing Committee** - To set up a High-powered standing committee to focus on the services sector as a core driver of Viksit Bharat, target 10% global services share by 2047
- **AVGC Sector (Orange Economy)** - To support Indian Institute of Creative Technologies, Mumbai to set up AVGC Content Creator Labs in 15,000 schools & 500 colleges
- **Design Education** - To set up new National Institute of Design in eastern India through challenge mode
- **Khelo India Mission** - To launch a national mission to transform the sports sector over the next decade, building on Khelo India
- **Development of University Townships** - Support to States to develop 5 University Townships near industrial & logistics corridors
- **STEM Education for Women** - To establish one girls' hostel in Higher Education STEM institutions in every district
- **Strengthening National Astronomy & Space Infrastructure** - To set up / upgrade 4 Telescope Infrastructure facilities, the National Large Solar Telescope, the National Large Optical-infrared Telescope, the Himalayan Chandra Telescope & the COSMOS-2 Planetarium

# Pillar 1: Sustaining Economic Growth

## Finance Sector

- **High Level Committee on Banking** - To review and align the banking sector with India's next phase of growth under Viksit Bharat
- **Restructuring of PFC & REC** - To improve scale, efficiency and credit delivery of public sector NBFCs
- **FEMA (Non-Debt Instruments) Review** - To create a contemporary and user-friendly framework for foreign investments
- **Corporate Bond Market Reforms** - Introduction of market-making framework and Total Return Swaps to enhance liquidity
- **Municipal Bonds Incentive** - INR 100 Crore incentive for a single issuance above INR 1,000 Crore & AMRUT scheme to continue for smaller towns



# Pillar 1: Sustaining Economic Growth

## Agriculture & Allied Sectors

- **Fisheries Development** – To undertake initiatives for integrated development of 500 reservoirs & Amrit Sarovars, strengthening fisheries value chains in coastal areas through FPOs, start-ups & women-led groups
- **Animal Husbandry Support** - Entrepreneurship through credit-linked subsidy, modernisation of livestock enterprises, integrated dairy & poultry value chains & Livestock FPOs
- **High Value Agriculture** - Support for coconut, cashew, cocoa and sandalwood in coastal areas, agar trees in North East & almonds, walnuts & pine nuts in hilly regions
- **Coconut Promotion Scheme** - Productivity enhancement through replacement of old & non-productive coconut trees in major growing States
- **Indian Cashew and Cocoa Programme** - Self-reliance in raw cashew & cocoa, strengthened processing, export competitiveness & premium global branding by 2030
- **Sandalwood Development** - Focused cultivation & post-harvest processing in partnership with State Governments
- **Nut Orchard Rejuvenation** - Rejuvenation of old orchards & high-density cultivation of walnuts, almonds & pine nuts with youth-led value addition
- **Bharat-VISTAAR** – To launch a multilingual AI platform integrating AgriStack & ICAR for customised advisory, productivity improvement & risk reduction

# Key Pillars

## Pillar 2



### Strengthening the Foundations of Growth

Infrastructure

Security, Energy & Sustainability

Urbanisation



# Pillar 2: Strengthening the Foundations of Growth

## Infrastructure

- **Innovative Infrastructure Financing** - Government has taken major steps to enhance public infrastructure through innovative financing tools like InvITs, REITs, NIIF and NaBFID
- **Infrastructure Push in Tier II and Tier III Cities** - Continued focus on infrastructure development in Tier II and Tier III cities with population above 5 lakh to promote balanced regional growth
- **Increase in Public Capital Expenditure** - Public Capital Expenditure (Capex) significantly increased to support long-term economic growth and job creation
- **Infrastructure Risk Guarantee Fund** - Setting up an Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders and reduce financing risks
- **Asset Recycling through REITs** - Recycling of real estate assets of CPSEs through dedicated REITs to unlock value and fund new projects
- **Expansion of Dedicated Freight Corridors** - New Dedicated Freight Corridors announced, connecting Dankuni (East) to Surat (West) to improve logistics efficiency
- **Development of National Waterways** - Operationalisation of 20 National Waterways to connect mineral rich areas, industrial hubs, and ports

# Pillar 2: Strengthening the Foundations of Growth

## Infrastructure

- **Ship Repair Ecosystem for Inland Waterways** - Setting up a ship repair ecosystem to support vessels operating on inland waterways
- **Promotion of Coastal and Inland Water Transport** - Launch of a Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047
- **Seaplane Manufacturing Support** - Launch of a Seaplane Viability Gap Funding Scheme to support and indigenise seaplane manufacturing
- **Financial Support to States (SASCI Scheme)** - Provision of INR 2 lakh crore support to states under the SASCI Scheme for infrastructure development
- **Purvodaya Initiative** - Development of the Integrated East Coast Industrial Corridor under the Purvodaya programme to boost industrial growth in eastern India



# Pillar 2: Strengthening the Foundations of Growth

## Security, Energy & Sustainability

- **Promotion of Carbon Capture Technologies** - Introduction of a scheme to adopt Carbon Capture, Utilization and Storage (CCUS) with a total outlay of INR 20,000 Crore
- **Boost to Battery Energy Storage Manufacturing** - Extension of BCD exemption on capital goods used for manufacturing Lithium-Ion cells for batteries deployed in battery energy storage systems
- **Support to Solar Manufacturing Ecosystem** - Exemption of BCD on the import of sodium antimonate used in the manufacture of solar glass
- **Strengthening Nuclear Power Infrastructure** - Extension of the existing BCD exemption on imports required for Nuclear Power Projects till 2035 with expansion to cover all nuclear plants irrespective of capacity
- **Facilitation of Critical Mineral Processing** - Exemption of BCD on import of capital goods required for processing of critical minerals in India
- **Incentivising Biogas and Clean Fuels** - Exclusion of the entire value of biogas from Central Excise Duty payable on biogas blended CNG



# Pillar 2: Strengthening the Foundations of Growth

## Urbanisation

- **Strengthening Urban Agglomerations** - Amplifying potential of cities to deliver economic power of agglomerations
- **Focused Development of Tier II and Tier III Cities** - Special emphasis on Tier II and Tier III cities to promote balanced regional growth and reduce pressure on metropolitan cities
- **Revitalisation of Temple Towns** - Targeted development of temple towns to improve urban infrastructure, tourism, and local economic activity
- **Introduction of Growth Connectors** - 7 high-speed rail corridors to enable fast and smooth travel between major cities: Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Delhi–Varanasi, and Varanasi–Siliguri



# Key Pillars

## Pillar 3

### People Centric Development

Empowerment & Livelihoods



# Pillar 3: People Centric Development

## Empowerment & Livelihoods

- **Expansion of Geriatric and Care Services** - Strong care ecosystem by expanding geriatric & allied care services, 1.5 lakh multi-skilled caregivers to be trained
- **Promotion of Women-Led Enterprises** - Self-Help Entrepreneur (SHE) Marts to be set up as community owned retail outlets, strengthening women-led enterprises at the cluster level
- **Skill Development for Persons with Disabilities** - Divyangjan Kaushal Yojana introduced to provide industry relevant, customized skill training & dignified livelihood opportunities for persons with disabilities
- **Access to Assistive Devices for Divyangjan** - Divyang Sahara Yojana launched to ensure timely access to high quality assistive devices for all eligible beneficiaries
- **Scaling Up Assistive Device Manufacturing** - ALIMCO to be supported for scaling up production of assistive devices, with increased focus on R&D and AI integration
- **Strengthening Service Delivery Centres** - PM Divyasha Kendras to be strengthened & upgraded as modern retail style service centres for assistive aids
- **Enhancing Mental Healthcare Infrastructure** - Setting up of NIMHANS-2 & upgradation of National Mental Health Institutes in Ranchi & Tezpur to improve mental healthcare access
- **Strengthening Emergency & Trauma Care** - Emergency and Trauma Care Centres to be established in district hospitals to strengthen critical healthcare services

# Key Pillars

## Pillar 4



### Trust based Governance

Automation & Trade Facilitation



# Pillar 4: Trust based Governance

## Automation & Trade Facilitation

- **Extended Duty Deferral for AEOs** - Enhancement of duty-deferral period for Tier II & Tier III AEOs from 15 days to 30 days, facility to be extended to eligible manufacturer-importers. Government agencies to be encouraged to use AEO accreditation
- **Reform of Customs Warehousing System** - Transformation of the Customs warehousing framework into a warehouse-operator-centric system with greater reliance on self-declarations and simplified procedures
- **Longer Validity of Advance Rulings** - Extension of the validity period of advance rulings, binding on Customs from 3 years to 5 years providing greater certainty to businesses
- **Automated Customs Notification System** – System for filing of Bill of Entry by trusted importers & arrival of goods to be automatically notified to Customs, reducing manual intervention
- **Risk-Based Facilitation for Trusted Importers** - Recognition of regular importers with trusted and long-standing supply chains in the risk management system, minimizing repeated cargo verification



# Indirect Tax Proposals



# Key GST Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Place of supply for intermediary services</b></p> <p><i>Section(s) amended / inserted: 13(8)(b) of the IGST Act</i></p> <p><i>Effective from: Date of enactment of Finance Bill</i></p>	<p>The place of supply for intermediary services was deemed to be the <u>supplier's location</u> in certain cross-border cases</p>	<p>Place of supply for intermediary services to be governed by the default rule i.e. <u>location of the recipient of services</u></p>	<p>To enable zero-rated supply (exports) benefits</p>
<p><b>Post-sale discount</b></p> <p><i>Section(s) amended / inserted: 15(3) &amp; 34 of CGST Act</i></p> <p><i>Effective from: To be notified</i></p>	<p>Post-supply discounts excluded from taxable value only if pre-agreed and linked to specific tax invoices</p>	<p>Post-supply discounts can be given through credit notes issued by supplier with corresponding input tax credit reversal by the recipient</p>	<p>Aligning tax treatment with commercial practices and resolve credit accumulation</p>

# Key GST Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<b>Provisional refund in case of Inverted Duty Structure</b>  <i>Section(s) amended / inserted: 54(6) of CGST Act</i>  <i>Effective from: To be notified</i>	<p>Provisional refunds were primarily available for zero-rated supplies (exports)</p> <p>Refunds arising from inverted duty structure cases (where input tax rates exceed output tax rates) were not covered</p>	<p>Extend 90% provisional refund of unutilised input tax credit to Inverted Duty Structure cases</p>	<p>To provide certainty and improve cash flows</p>
<b>Removal of threshold limit for refunds</b>  <i>Section(s) amended / inserted: 54(14) of CGST Act</i>  <i>Effective from: To be notified</i>	<p>Minimum refund threshold of INR 1000 for exports made with payment of tax</p>	<p>Removal of existing threshold limit of INR 1,000 for refund claims relating to export of goods with payment of tax</p>	<p>To support small-scale exporters of low-value products through courier etc.</p>

# Key GST Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>National Appellate Authority for Advance Rulings (NAAAR)</b></p> <p><i>Section(s) amended / inserted: 101A(1A) of CGST Act</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>The GST law provides for constitution of NAAAR to adjudicate appeals against advance rulings</p>	<p>Section 101A(1A) introduced to authorize Central Government to temporarily assign appellate functions to any existing authority, including GST Appellate Tribunal, until NAAAR is established</p>	<p>To adjudicate appeals pending constitution of NAAAR to reduce litigation burden</p>



# Key Customs proposals

- Scope of Customs Act, 1962 proposed to be expanded beyond India's territorial waters for encompassing fishing and fishing-related activities carried out by Indian-flagged fishing vessels
- Section 28(6) to be amended to clarify that 15% penalty paid under section 28(5) in cases involving collusion, willful misstatement or suppression of facts, will be treated as a 'charge for non-payment of duty' instead of penalty
- Relaxation in requirement of prior permission from tax authorities for removal of warehoused goods from one custom bonded warehouse to another
- Validity of advance rulings to be extended to 5 years (from 3 years) from the date of the ruling. Further, validity of existing advance rulings to be extended for 5 years upon specific request of the applicant
- Effective 1 Mar 2026, the deferred duty payment period for Authorized Economic Operators holding Tier 2 and Tier 3 status is being extended to 30 days (from 15 days). A new category "eligible manufacturer importers" introduced who will also be allowed to pay import duty on a deferred basis
- Baggage Rules 2026 supersedes 2016 rules, effective from 2 Feb 2026, to streamline baggage-related provisions and address passenger concerns at airports. The rules enhance general duty-free allowance for air passengers to INR 75,000 for Indian residents and INR 25,000 for foreign tourists, permit duty-free clearance of one new laptop (including notepad) in personal baggage, substantially increase duty-free limits for transfer of residence and simplify compliance by allowing electronic declarations for re-import or temporary import of goods

Please refer Finance (No. 3) Bill 2026 for schedule of Customs Duty rate changes

# Direct Tax Proposals



## Tax Rates



# Effective Personal Tax Rates \*

No change in tax rates

Taxable income (INR)	New Tax Regime (u/s 202 of IT Act, 2025)	Old Tax Regime		
		< 60 years	Senior Citizens (60 - 80 Years)	Super Senior Citizens 
< 2.5 Lakh		Nil		
2.5 lakh - 3 Lakh	Nil	5.20%		Nil
3 lakh - 4 Lakh		5.20%		Nil
4 lakh - 5 Lakh		5.20%		Nil
5 lakh - 8 Lakh	5.20%			
8 lakh - 10 Lakh	10.40%		20.80%	
10 lakh - 12 Lakh				
12 lakh - 16 Lakh	15.60%			
16 lakh - 20 Lakh	20.80%		31.20%	
20 lakh - 24 Lakh	26%			
24 lakh - 50 Lakh	31.20%			
50 lakh - 1 Crore		34.32%		
1 crore - 2 Crore		35.88%		
2 crore - 5 Crore		39%		
> 5 Crore	39%		42.74%	

\* Including Surcharge (varying between 10% to 37%) & Health & Education Cess (4%)

# Effective Tax Rate for Co-operative Society

No change in tax rates

Taxable income (INR)	New Manufacturing Co-operative Society entitled for Super Concessional Tax Rate u/s 204 of IT Act, 2025	Resident Co-operative Society entitled for Concessional Tax Rate u/s 203 of IT Act, 2025	Existing Tax Rate
Upto 10,000			10.40%
10,000 - 20,000			20.80%
20,000 – 1 Crore			31.20%
1 Crore – 10 Crore			33.38%
> 10 Crore			34.94%

17.16%

Applicable for a co-operative society set up **on or after 1 Apr 2023**

&

commences manufacturing **on or before 31 Mar 2024**

# Effective Corporate Tax Rate

No change in tax rates

Legal Entity	New Domestic Manufacturing Company entitled for Super Concessional Tax Rate u/s 201 of IT Act, 2025	Existing Domestic Company entitled for Concessional Tax Rate u/s 200 of IT Act, 2025	Others / Section 199		
			Taxable Income (INR)		
			< 1 Crore	1 Crore – 10 Crore	> 10 Crore
<b>Domestic Companies:</b>					
Turnover ≤ INR 400 crore in FY 2024-25	17.16%	25.17%	26.00%	27.82%	29.12%
Turnover > INR 400 crore in FY 2024-25			31.20%	33.38%	34.94%
<b>LLPs, Partnership Firms</b>		NA		34.94%	
<b>Foreign Companies</b>		NA	36.40%	37.12%	38.22%

Applicable for a company incorporated **on or after 1 Oct 2019**

&

commences manufacturing **on or before 31 Mar 2024**

## Ease of Living



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Extension of time limit (till date of filing ITR) for deposit of employee contribution to welfare fund, for entitlement to tax deduction</b></p> <p><i>Section(s) amended / inserted:</i> 29(1)(e) of IT Act, 2025</p> <p><i>Effective from:</i> TY 2026-27 onwards</p>	<p>Employee's contribution to welfare fund is allowable as tax deduction to an Employer only if it is deposited with the statutory authorities within the <u>due date as per the relevant law</u> (for example, 15<sup>th</sup> day of the calendar month in case of employee contribution to PF)</p>	<p>The time limit for deposit of employee contribution has been extended to <u>due date of filing ITR by the Employer</u>, for entitlement to tax deduction</p>	<p>To allow more time / flexibility to Employers</p>
<p><b>Enablement of electronic verification &amp; issue of certificate for TDS at lower / nil rate</b></p> <p><i>Section(s) amended / inserted:</i> 395(1)(c) &amp; (6) of IT Act, 2025</p> <p><i>Effective from:</i> 1 Apr 2026 onwards</p>	<p>As per section 395(1) of IT Act, 2025, for grant of certificate of TDS at a lower / nil rate, payee has to make an application before the <u>AO</u></p>	<p>An option has been given to the payee to file the application <u>electronically before the prescribed income-tax authority</u></p>	<p>To ease the compliance burden of small taxpayers</p>

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Tax-exemption on interest income under the Motor Vehicles Act, 1988</b></p> <p><i>Section(s) amended / inserted:</i> Schedule III, Entry 38B of IT Act, 2025</p> <p><i>Effective from:</i> TY 2026-27 onwards</p>	<p>The Motor Vehicles Act, 1988 provides for payment of compensation <u>including interest</u> thereon, to an individual or his legal heir, on account of death, permanent disability or bodily injury</p>	<p>Interest earned under the Motor Vehicles Act, 1988 has been <u>exempted from tax</u></p>	<p>To alleviate sufferings of victims of such accident &amp; their family members</p>
<p><b>No TDS on interest paid to an individual on compensation awarded by Motor Accidents Claims Tribunal</b></p> <p><i>Section(s) amended / inserted:</i> 393(4) of IT Act, 2025</p> <p><i>Effective from:</i> 1 Apr 2026 onwards</p>	<p>Exemption from TDS obligation on interest paid to an individual on compensation awarded by Motor Accidents Claims Tribunal is applicable <u>provided the aggregate annual amount of such income ≤ INR 50,000</u></p>	<p>The <u>monetary limit of INR 50,000 has been done away with</u> (in respect of payments to individuals only, not other persons)</p>	

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Relaxation from requirement to obtain TAN by a resident individual or HUF (buyer), where the seller of immovable property is a non-resident</b></p> <p><i>Section(s) amended / inserted:</i> 397(1)(c) of IT Act, 2025</p> <p><i>Effective from:</i> 1 Oct 2026 onwards</p>	<p>If a person buys immovable property from a resident seller, the buyer is not required to obtain TAN for deduction of tax at source. Where, however, <u>seller of the immovable property is a non-resident</u>, the buyer is required to obtain TAN. This creates unnecessary compliance burden for the buyer, as he needs to obtain TAN even for a single transaction</p>	<p>Resident individual / HUF is not required to obtain TAN for TDS on consideration paid for transfer of immovable property paid to a <u>non-resident</u></p>	<p>To reduce compliance burden for resident individual &amp; HUF</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Investors holding listed securities enabled to file declaration for no TDS to depository (instead of multiple entities)</b></p> <p><i>Section(s) amended / inserted: 393(6) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2027 onwards</i></p>	<ul style="list-style-type: none"> <li>Investors earning income in the nature of dividend, interest, etc. from multiple units / securities are required to submit <u>separate declarations</u> to all the paying entities in order to claim exemption from TDS obligation. This is a cumbersome process &amp; leads to enhanced compliance</li> <li>The time limit / frequency of filing the declaration is <u>monthly</u></li> </ul>	<ul style="list-style-type: none"> <li>For listed securities, investors can submit a <u>single declaration to the depository</u> which in turn shall provide such declaration to the payers of such income</li> <li>The time limit / frequency of filing the declaration has been changed from monthly to <u>quarterly</u></li> </ul>	To reduce compliance burden of investors



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Application of TDS on supply of manpower</b></p> <p><i>Section(s) amended / inserted: 402(47) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>TDS on payment against supply of manpower services has been a subject matter of dispute. Payers / tax deductors have been of the view that such services being in the nature of 'work' are liable to TDS @ 1% or 2%. Tax authorities, however, have contended that supply of manpower involves professional services &amp; is subject to TDS @ <u>10%</u></p>	<p>Supply of manpower shall fall within the ambit of 'work' liable to TDS @ <u>1%</u> or <u>2%</u></p>	<p>To provide clarity</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Tax-exemption specifically granted on income on compulsory acquisition of land under RFCTLARR Act</b></p> <p><i>Section(s) amended / inserted:</i> Schedule III, Entry 38C of IT Act, 2025</p> <p><i>Effective from:</i> TY 2026-27 onwards</p>	<p>As per CBDT Circular no.36/2016, compensation received in respect of an award or agreement which is tax-exempt vide section 96 of the RFCTLARR Act, is not taxable under the IT Act 1961, <u>even if there are no specific provisions for such tax exemption in the IT Act, 1961</u></p>	<p>Tax-exemption has been <u>specifically granted</u> on any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after 1 Apr 2026, under the RFCTLARR Act (other than award or agreement u/s 46 of the said Act)</p>	<p>To resolve any ambiguity &amp; align the provisions of IT Act with the RFCTLARR Act</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Tax-exemption on Disability Pension to armed force personnel</b></p> <p><i>Section(s) amended / inserted:</i> Schedule III, Entry 38A of IT Act, 2025</p> <p><i>Effective from:</i> TY 2026-27 onwards</p>	<ul style="list-style-type: none"> <li>Disability pension is granted to members of the armed forces who are invalidated out of service on account of a bodily disability that is attributable to, or aggravated by, military, naval or air force service, &amp; comprises a service element and a disability element</li> <li>The tax-exemption was first provided under the IT Act, 1922 &amp; subsequently continued under the IT Act, 1961 through the repeal &amp; savings clause, notifications, administrative instructions &amp; clarificatory circulars</li> </ul>	<ul style="list-style-type: none"> <li>Tax-exemption on Disability Pension has been provided on both service element &amp; the disability element, only in cases where the individual has been invalidated out of armed forces service on account of a bodily disability attributable to, or aggravated by, such service, &amp; <u>not where the individual has retired on superannuation or otherwise</u></li> <li>The tax-exemption will also be available <u>to paramilitary personnel</u></li> </ul>

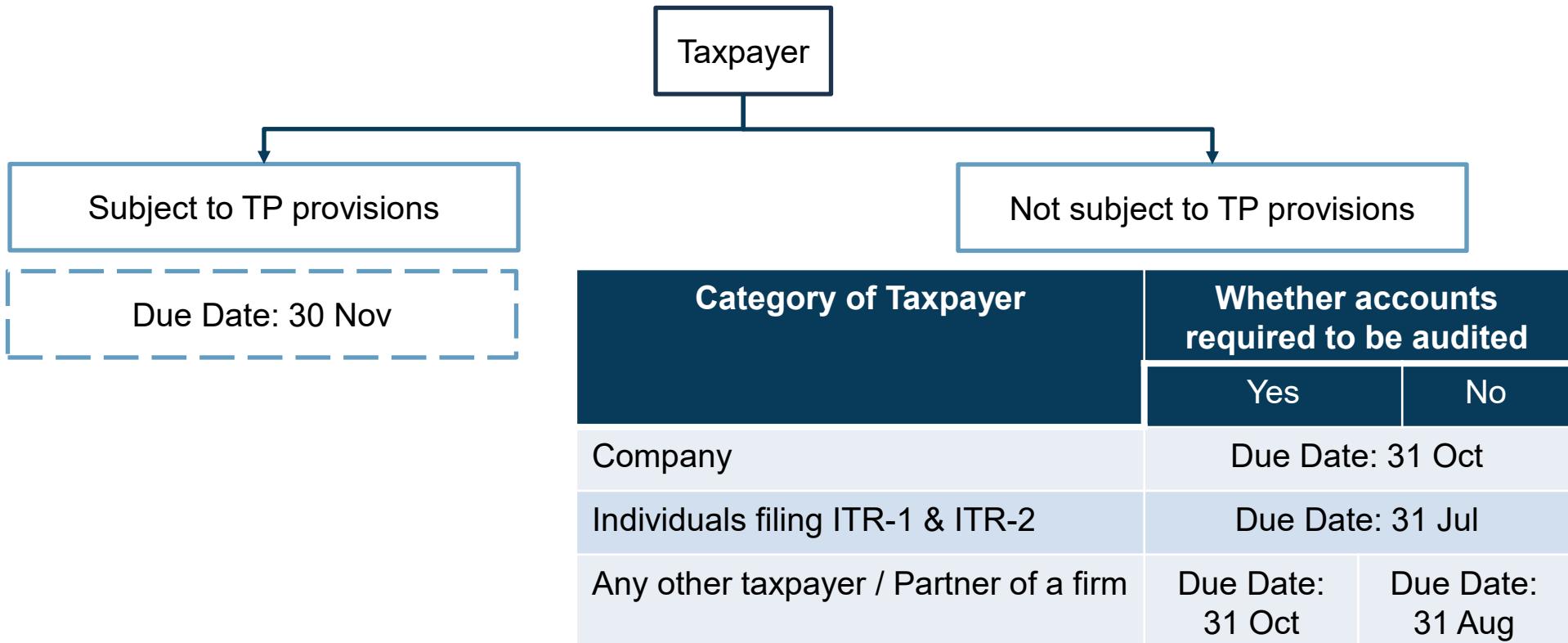


# Direct Tax Proposals

## Rationalisation of due dates for filing ITR

*Section(s) amended / inserted: 139(1) of IT Act, 1961 & 263(1)(c) of IT Act, 2025*

*Applicable for: (a) AY 2026-27, (b) TY 2026-27 onwards*



# Direct Tax Proposals

## When can a Revised ITR be filed?

When a taxpayer discovers any omission or wrong statement in the Original ITR or Belated ITR

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<b>Extension of time limit for filing Revised ITR to 12 months from end of relevant TY</b>  <i>Section(s) amended / inserted: 139(5) of IT Act, 1961, 263(5) of IT Act, 2025</i>  <i>Applicable for: (a) AY 2026-27, (b) TY 2026-27 onwards</i>	Time limit to file Revised ITR is <u>9 months</u> from end of relevant TY	<ul style="list-style-type: none"><li>Time limit of 9 months has been increased to <u>12 months</u> from end of relevant TY</li><li>Following late filing fee would be applicable for Revised ITR filed beyond 9 months from end of relevant TY<ul style="list-style-type: none"><li>✓ INR 1,000, if total income <math>\leq</math> INR 5 lakh</li><li>✓ INR 5,000, in any other case</li></ul></li></ul>	<ul style="list-style-type: none"><li>Presently, the due date for filing Revised ITR &amp; Belated ITR coincides with each other (i.e, 9 months from the end of relevant TY)</li><li>A taxpayer who is filing Belated ITR at the end does not have the opportunity to revise its ITR</li><li>Extension of time limit for filing Revised ITR will allow taxpayers to file Revised ITR where Belated ITR is filed towards the end</li></ul>

# Direct Tax Proposals

## When can an Updated ITR be filed?

- An Updated ITR can be filed by a taxpayer within 48 months from the end of the FY succeeding the relevant TY. The facility is meant to promote voluntary compliance on the part of taxpayer to offer the income for taxation.
- There are certain restrictions on filing an Updated ITR, for example, Updated ITR cannot be a return of loss, cannot reduce tax liability, cannot increase a refund.
- Filing an updated ITR requires payment of additional income-tax. It is not permitted to be filed in cases where assessment, reassessment, search, survey, or prosecution proceedings are pending or completed

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<b>Scope of filing Updated ITR in case of reduction of losses</b>  <i>Section(s) amended / inserted: 139(8A) of IT Act, 1961, 263(6) of IT Act, 2025</i>  <i>Effective from: 1 Mar 2026 onwards</i>	Filing of Updated ITR u/s 263(6) is not allowed / restricted in case taxpayer intends to <u>reduce the amount of loss claimed in Original ITR</u> filed within the due date	Filing of Updated ITR has been <u>allowed in such cases</u>	To protect Revenue's interest

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Filing of Updated ITR allowed after issue of notice of reassessment</b></p> <p><i>Section(s) amended / inserted: 139(8A) of IT Act, 1961, 263(6)(b)(ii) &amp; 267 of IT Act, 2025</i></p> <p><i>Effective from: (a) 1 Mar 2026, (b) TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Filing of Updated ITR is not allowed in cases where <u>reassessment proceedings have been initiated</u></li> <li>Additional Income-tax payable on filing of Updated ITR is 25%, 50%, 60% &amp; 70%, for filing the (Updated) ITR in 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> &amp; 4<sup>th</sup> year respectively, from the end of the FY succeeding the relevant TY</li> </ul>	<ul style="list-style-type: none"> <li>Filing of Updated ITR would be <u>allowed in cases where reassessment proceedings have been initiated</u> &amp; notice of reassessment has been issued u/s 280 of IT Act, 2025</li> <li>In such case: <ul style="list-style-type: none"> <li>✓ Taxpayer shall be precluded from filing ITR in pursuance of notice u/s 280</li> <li>✓ Additional income-tax payable shall be increased by a further sum of <u>10%</u></li> <li>✓ The income on which such additional Income-tax has been paid shall not form basis for imposition of penalty</li> </ul> </li> </ul>	<p>To reduce litigation</p>

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

### *Genesis of the Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015*

- The Black Money Act was enacted to address the issue of undisclosed foreign income & assets held by resident taxpayers. At the time of its introduction, a one-time compliance window was provided from 1 Jul 2015 to 30 Sep 2015 to enable voluntary declaration of undisclosed foreign assets acquired up to 31 Mar 2015, subject to payment of tax and penalty

### *Information received under the Automatic Exchange of Information framework indicates non-disclosure of foreign financial assets by a significant number of PAN holders*

- Reportedly, it has been observed that non-compliance is particularly prevalent in cases involving legacy or inadvertent non-disclosures for small taxpayers, including holdings arising from foreign employment benefits

### *Introduction of FAST-DS 2026*

- To facilitate voluntary compliance & enable resolution of cases of small taxpayers, a time-bound scheme has been introduced for declaration of foreign assets / foreign-sourced income, with payment of tax or fee based on the nature & source of acquisition & grant of limited immunity from penalty & prosecution. The FAST-DS 2026 shall come into force from the date to be notified by the Central Government

## Rationalization of Penalty & Prosecution



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Relaxation of conditions for prosecution under the Black Money Act</b></p> <p><i>Section(s) amended / inserted: 49, 50 of the Black Money Act</i></p> <p><i>Effective from: 1 Oct 2024 onwards</i></p>	Sections 49 & 50 of the Black Money Act prescribe <u>prosecution</u> (including rigorous imprisonment & fine) where a resident wilfully fails to furnish ITR or wilfully omits to disclose foreign assets or income in the ITR	The said provisions shall not apply in respect of foreign assets (other than immovable property), where the <u>aggregate value <math>\leq</math> INR 20 lakh</u>	<ul style="list-style-type: none"><li>• To provide relief in cases of minor &amp; inadvertent non-disclosures</li><li>• To align the prosecution provisions with the penalty framework under the Black Money Act</li></ul>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of prosecution proceedings / Decriminalization of offences</b></p> <p><i>Section(s) amended / inserted: 275A to 278A &amp; 280 of IT Act, 1961, 473 to 485 &amp; 494 of IT Act, 2025</i></p> <p><i>Effective from: (a) 1 Mar 2026 (b) 1 Apr 2026 onwards</i></p>	<p>Chapter XXII of the IT Act, 2025 imposes criminal liability on taxpayer for various offences, such as</p> <ul style="list-style-type: none"> <li>• Falsification of books of accounts</li> <li>• Failure to credit TDS / TCS deducted</li> <li>• Tendering false statement</li> <li>• Wilful attempt to evade tax</li> <li>• Failure to furnish ITR within due time</li> <li>• Abatement of false return, etc.)</li> </ul> <p>The <u>punishment includes rigorous imprisonment spanning across 3 months to 7 years</u></p>	<p><u>Decriminalization of offences</u> as below:</p> <ul style="list-style-type: none"> <li>• Nature of punishment is changed from rigorous imprisonment to simple imprisonment</li> <li>• Maximum punishment would be limited to 2 years (currently 7 years). For subsequent offences, punishment reduced to 3 years</li> <li>• Wherever punishment is prescribed based on grading of amount of tax evaded, new grading of offences &amp; its corresponding punishment is prescribed</li> <li>• Where tax evaded ≤ INR 10 lakh, punishment of only fine is prescribed</li> <li>• Certain offences to be fully decriminalized</li> </ul>	<p>Decriminalization of offences &amp; to make the punishment for offences proportionate to the crimes</p>

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of period of Block Assessment in case of other persons</b></p> <p><i>Section(s) amended / inserted: 295(2) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>In cases of Block Assessment, where undisclosed income pertaining to a <u>third person</u> relates only to a single TY, the third person is nonetheless required to undergo the full Block Assessment procedure, resulting in increased compliance burden on a person against whom no search or requisition was initiated</p>	<p>Period of Block Assessment in case of third party has been limited</p>	<p>To reduce compliance burden on a person against whom no search or requisition was initiated in case of a Block Assessment</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Referencing the time limit to complete Block Assessment to the initiation of search or requisition</b></p> <p><i>Section(s) amended / inserted: 296(1) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>An assessment / reassessment order u/s 294 of IT Act, 2025 (procedure for Block Assessment) must be completed within <u>12 months from the end of the quarter in which the last search authorization was executed or requisition was made</u></p>	<ul style="list-style-type: none"> <li>• <u>Date of initiation of search</u> would be considered as the reference point to decide the date of limitation for Block Assessment</li> <li>• Revised time limit for passing the order would be <u>18 months from the end of the quarter in which the search was initiated or requisition was made</u></li> </ul>	<p>Use of last date of authorisations as reference for deciding date of limitation, leads to different dates of limitations in case of group being searched (as search &amp; seizure proceedings are more often conducted in a group of cases which require coordinated investigation &amp; assessments)</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Conversion of penalties for technical delays into fee</b></p> <p><i>Section(s) amended / inserted: 428(c), 428(4), 427(3), 454(2) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 446 of the IT Act, 2025 provides for penalty for failure to get tax audit done</li> <li>447 of the IT Act, 2025 provides for penalty for failure to furnish TP report</li> <li>454 of the IT Act, 2025 provides for penalty for failure to furnish SFT</li> </ul>	<ul style="list-style-type: none"> <li>For delay in getting tax audit done, a graded fee of INR 75,000 &amp; INR 150,000 is proposed depending upon period of delay</li> <li>For delay in furnishing TP report, a graded fee of INR 50,000 &amp; INR 100,000 is proposed depending upon period of delay</li> <li>For delay in furnishing SFT, a fee of INR 200 per day is proposed (subject to maximum of INR 1 lakh)</li> </ul>	<p>Fee reduces litigation for technical faults</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Imposition of penalty for under-reporting or misreporting of income within Assessment Order</b></p> <p><i>Section(s) amended / inserted: 220, 274, 234MA of IT Act 1961</i></p> <p><i>Effective from: 1 Apr 2027 onwards</i></p>	<ul style="list-style-type: none"> <li><u>Assessment proceedings &amp; penalty proceedings are separate.</u> First an assessment order is passed. Based on the additions to taxable income made therein, penalty is initiated in the assessment order by the AO</li> <li>Subsequently, separate penalty proceedings are carried by the AO &amp; a separate penalty order is passed</li> <li>Interest @ 1% u/s 220 of IT Act 1961 is payable by the taxpayer in case of demand raised by tax authorities not being deposited <u>within 30 days of the notice of demand</u> issued by AO</li> </ul>	<ul style="list-style-type: none"> <li>Penalty for under reporting of income to be imposed <u>within the assessment order itself</u></li> <li>Interest u/s 220 to be charged <u>only after passing of order by CIT(A) or ITAT</u></li> </ul>	A common order for both assessment & penalty will avoid multiplicity of proceedings which in turn would reduce the compliance for taxpayers apart from providing consistency



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Increase in maximum amount of penalty in Section 466 of IT Act, 2025</b></p> <p><i>Section(s) amended / inserted: 466 of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 254 provides the power to tax authorities to collect information from the premises where business or profession is carried out, by directing the proprietor / employee / any other person, who may at that time &amp; place, be attending in or helping in carrying on of such business or profession</li> <li>Section 466 provides for a penalty if any person fails to comply with section 254, upto a maximum amount of <u>INR 1000</u></li> </ul>	The maximum limit of INR 1000 has been increased to <u>INR 25,000</u>	The maximum amount of penalty should be proportionate to create adequate deterrence & voluntary compliances



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Rationalisation of tax rate u/s 195 (on unexplained credits, investment, asset, etc) &amp; penalty u/s 443 thereon</b></p> <p><i>Section(s) amended / inserted: 195, 443, 439(11) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Tax rate on income by way of unexplained credits, unexplained investment, unexplained asset, unexplained expenditure &amp; amount borrowed or repaid through negotiable instrument, hundi, etc., is <u>60%</u></li> <li>Penalty of <u>10%</u> is applicable on the above tax amount</li> </ul>	<ul style="list-style-type: none"> <li>Tax rate has been reduced from 60% to <u>30%</u></li> <li>Penalty of 10% has been omitted &amp; <u>subsumed into cases of under-reporting of income</u> in consequence of misreporting u/s 439(11) of IT Act, 2025</li> </ul>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Expanding the scope of immunity from penalty or prosecution u/s 440</b></p> <p><i>Section(s) amended / inserted: 440 of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 440 provides the procedure of granting immunity by AO from imposition of penalty or prosecution, if taxpayer fulfils the following conditions: <ul style="list-style-type: none"> <li>✓ Tax &amp; interest payable as per assessment order has been paid within the time period as per notice of demand; &amp;</li> <li>✓ No appeal against such assessment order has been filed</li> </ul> </li> <li>Immunity can only be granted in cases of under-reporting of income &amp; <u>not under-reporting of income in consequence of misreporting</u></li> </ul>	<ul style="list-style-type: none"> <li>Immunity would be extended to cases where <u>under-reporting of income is in consequence of misreporting</u></li> <li>However, taxpayer is required to pay <u>additional tax of 100%</u> of the tax payable on such income in lieu of the penalty</li> </ul>

Similar amendment has been made in section 270AA of the IT Act, 1961 applicable from 1 Mar 2026 for AY 2026-27 or any earlier AYs

## Co-operatives



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Tax-deductions in respect of dividends received &amp; distributed by certain cooperative societies</b></p> <p><i>Section(s) amended / inserted: 149(2), 150, 203(1) &amp; (7), 204(3) &amp; (5) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 149(2)(d) of IT Act, 2025 provides for tax deduction on income of a cooperative society received as interest or dividend from any other co-operative society</li> <li>This deduction is allowed only in the old tax regime. The <u>dividends received by a cooperative society from a company are taxed in the hands of the cooperative society</u></li> </ul>	<ul style="list-style-type: none"> <li>Tax deduction would be allowed on dividends received by cooperative societies from <u>other cooperative societies</u>, to the extent such dividends are distributed to its members, in the new tax regime</li> <li>Tax deduction would also be available for dividends received by notified federal cooperatives from companies for 3 years (i.e. till TY 2028-29) under both the old &amp; new tax regimes. This deduction would be allowed only to dividends arising from investments made by the federal cooperative till 31 Jan 2026 &amp; which are further distributed by it to its members</li> </ul>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Widening scope of tax-deduction u/s 149 by including ancillary activities of cattle feed &amp; cotton seeds</b></p> <p><i>Section(s) amended / inserted: 149(2) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 149(2)(b) of IT Act, 2025 provides for tax deduction of profits of business in case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to a federal co-operative society, engaged in the same business or to Government or a local authority; or to a Government company or a corporation engaged in the same business</li> <li>There are similar activities such as supplying of <u>cattle feed &amp; cotton seeds</u> which are also undertaken by the members of the primary co-operative society</li> </ul>	<p>Profits of business arising on <u>supply of cattle feed &amp; cotton seeds shall be allowed as a tax deduction</u></p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society</b></p> <p><i>Section(s) amended / inserted: 2(32) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<p>A ‘co-operative society’ is defined as a co-operative society registered under the Cooperative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies</p>	<p>Co-operative societies registered under the <u>‘Multi-State Cooperative Societies Act, 2002’</u> would be included within the definition of co-operative society</p>



## Support to IT sector as India's growth engine



# Direct Tax Proposals

## What is an APA?

An agreement between the Government & taxpayer, which determines in advance, the ALP or manner of determination of ALP, in relation to an international transaction. APA programmes are operational in a number of countries for a long time. The primary goal of APA programme is to provide certainty to taxpayers in respect of pricing of cross-border transactions undertaken with group entities

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Amendment of section 169 relating to providing effect to APAs</b></p> <p><i>Section(s) amended / inserted: 169(1) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"><li>Section 168(1) of IT Act, 2025 allows filing of a modified ITR only by the person who has entered into APA with the CBDT</li><li>The provisions <u>do not allow modification or filing of ITR by the AE whose income &amp; tax liability is correspondingly modified consequent to the APA</u></li><li>Hence, there is no enabling provision for such AE (who is not entering into the APA) to file ITR &amp; claim refunds of taxes</li></ul>	<p>Such AE (who is not entering into the APA) has been enabled to file / modify its ITR within 3 months from the end of the month in which the APA was entered into, in respect of TYs covered by the APA</p>

## Attracting Global Business & Investment



# Direct Tax Proposals

## New tax exemptions provided to a Foreign Company

*Income arising in India by way of procuring data centre services from a data centre set up under MEITy & owned & operated by an Indian company*

In order to attract investment in data centre & promote artificial intelligence data centre framework in India, tax-exemption would be provided to a foreign company on any income sourced from India by way of procuring data centre services from a data centre (set up under MEITy, owned & operated by an Indian company), for a period upto TY ending on 31 Mar 2047. One of the conditions for tax exemption is that services provided to India users by the foreign company must be routed through an Indian reseller entity

*Section(s) amended / inserted: Schedule IV, Entry 13C*

*Effective from: TY 2026-27 onwards*

*Income arising on account of providing capital equipment etc. to an electronic goods manufacturer located in a custom bonded area*

In order to promote manufacture of electronic goods by a contract manufacturer & provide certainty on taxation of supply of capital equipment by a foreign company to such manufacturer, tax-exemption would be provided to a foreign company for a period upto TY 2030-31, on any income arising from providing capital goods, equipment or tooling to a contract manufacturer (being company resident in India), who is located in a custom bonded area & produces electronic goods on behalf of such foreign company for a consideration

*Section(s) amended / inserted: Schedule IV, Entry 13A*

*Effective from: TY 2026-27 onwards*

# Direct Tax Proposals

## New tax exemption provided to a Non-resident Individual

*Income arising outside India for any service rendered in India in connection with any Scheme notified by the Central Government*

In order to provide tax certainty to a non-resident individual visiting India for the first time for rendering certain services in connection with any notified Scheme of the Central Government, tax-exemption would be provided on income arising outside India to such individual, for rendering any services in India in connection with any Scheme notified by the Central Government, for 5 consecutive TYs commencing from the first tax year during which he visits India

*Section(s) amended / inserted: Schedule IV, Entry 13B of IT Act, 2025*

*Effective from: TY 2026-27 onwards*



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Allowing expenditure on prospecting of critical minerals as tax-deduction</b></p> <p><i>Section(s) amended / inserted: Schedule XII of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 51 of IT Act, 2025 provides for tax deduction of expenses incurred by a resident taxpayer engaged in any operations relating to prospecting / extraction / production of the minerals mentioned in Part A &amp; Part B of the Schedule XII of the Act</li> <li>The deduction is available on a deferred basis (over 10 years), in respect of expenses incurred in relation to prospecting / development of <u>mine or other natural deposit of specified minerals</u> incurred at any time during the year of commercial production &amp; any one or more of the 4 years immediately preceding the year of commercial production</li> </ul>	<p>The <u>list of minerals in Schedule XII would be expanded</u>, thereby making expenditure on prospecting &amp; exploring of such critical minerals also eligible for tax-deduction u/s 51</p>	<p>To incentivise the prospecting &amp; exploration of critical minerals</p>

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Exclusion of specified business of Non-residents which are under presumptive taxation from applicability of MAT</b></p> <p><i>Section(s) amended / inserted: 206 of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<p>Certain foreign companies are excluded from the applicability of MAT. The income of non-residents derived from certain business who opt for presumptive rate of taxation u/s 61 of IT Act, 2025 are also excluded. However, <u>certain other businesses who have opted for presumptive taxation u/s 61</u> have not been so excluded from applicability of MAT</p>	<p>Following businesses shall also be excluded from applicability of MAT:</p> <ul style="list-style-type: none"> <li>• Business of <u>operation of cruise ships</u>, &amp;</li> <li>• Business of <u>providing services or technology for the setting up an electronics manufacturing facility</u> in India to a resident company</li> </ul>	<p>To ensure similar treatment among all the different specified businesses of non-residents opting for presumptive taxation</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Extension of period of tax-deduction for units in IFSC &amp; rationalization of tax rate</b></p> <p><i>Section(s) amended / inserted: 147(2) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<p>147 of IT Act, 2025 provides for tax-deduction of 100% on certain incomes to the units of IFSC &amp; OBUs. The deduction is available for:</p> <ul style="list-style-type: none"> <li>• <u>10 consecutive years</u> out of 15 years for units in IFSC, &amp;</li> <li>• <u>10 consecutive years</u> for OBUs</li> </ul>	<p>The period of tax deduction would be increased as below:</p> <ul style="list-style-type: none"> <li>• <u>20 consecutive years</u> out of 25 years for units in IFSC, &amp;</li> <li>• <u>20 consecutive years</u> for OBUs</li> </ul> <p>Business income of these units from IFSC after the expiry of period of deduction would be <u>taxable at 15%</u></p>	<p>To increase the competitiveness of IFSC</p>



## Rationalization of Corporate Tax Regime



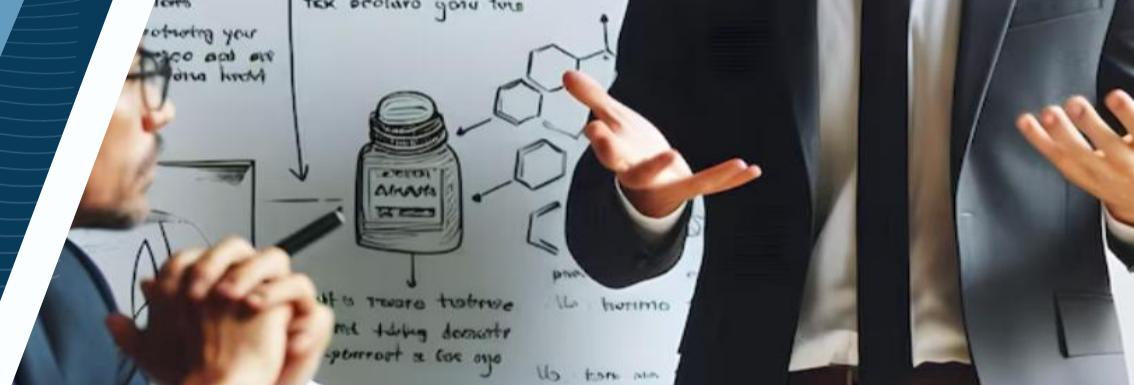
TAX REGIME	
<input checked="" type="checkbox"/> 35%	35%
<input checked="" type="checkbox"/> 23%	22%
<input checked="" type="checkbox"/> 15%	15%

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of MAT provisions</b></p> <p><i>Section(s) amended / inserted: 206 of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 206 of IT Act, 2025 provides for MAT which is applicable for companies @ <u>15%</u> on book profits. In case MAT &gt; tax payable on total income computed under normal provisions, the company pays MAT</li> <li>When a company pays MAT, the excess amount paid is allowed as MAT credit. MAT credit can be carried forward up to 15 years &amp; set off in future years where the company's tax liability under normal provisions &gt; MAT liability. The MAT regime is presently in place only for the old tax regime</li> </ul>	<ul style="list-style-type: none"> <li>Tax paid under MAT shall be considered as final in the old regime. <u>No new MAT credit would be allowed</u></li> <li>Tax rate of MAT has been reduced to <u>14%</u> (from 15%)</li> <li>Set-off of MAT credit may be allowed only in the new tax regime for <u>domestic companies to the extent of 25% of the tax liability</u></li> <li>In the case of foreign companies, set off would be allowed to the extent of difference between tax on total income &amp; MAT, for the TY in which tax under normal provisions &gt; MAT</li> </ul>	<p>To allow companies to make a smooth transition from the old tax regime (with deductions and exemptions) to the new tax regime</p>

# Direct Tax Proposals

# Rationalization of Other Direct Tax Provisions



# Direct Tax Proposals

*Rationalization of TCS rates*

*Effective from: 1 Apr 2026 onwards*

<b>Nature of Receipt</b>	<b>Existing Rate</b>	<b>Proposed Rate</b>
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore	1%	2%
Remittance under LRS of amount(s) > INR 10 lakh	<ul style="list-style-type: none"><li>5% for purposes of education or medical treatment;</li><li>20% for purposes other than education or medical treatment.</li></ul>	<ul style="list-style-type: none"><li>2% for purposes of education or medical treatment</li><li>20% for other purposes</li></ul>
Sale of 'overseas tour programme package' including expenses for travel, hotel stay, boarding or lodging or any similar expenditure	<ul style="list-style-type: none"><li>5% of amount(s) ≤ INR 10 lakh</li><li>20% of amount(s) &gt; INR 10 lakh</li></ul>	2%

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment &amp; for carrying out pre-assessment procedure u/s 148A</b></p> <p><i>Section(s) amended / inserted: 147A of IT Act, 1961, 279(3) of IT Act, 2025</i></p> <p><i>Effective from: (a) 1 Apr 2021 onwards (for 1961 Act), (b) 1 Apr 2026 onwards (for 2025 Act)</i></p>	<p>In cases of income escaping assessment, legislature has demarcated the line between assessment &amp; pre-assessment enquiry process. The AO carries out pre-assessment enquiry. Thereafter, the NaFAC carries out the assessment in a faceless manner</p> <p>It was <u>never the intention of law to mandate the NaFAC to involve pre-assessment enquiry in any manner</u>. However, divergent views have been expressed on this issue by various High Courts, some in favour of revenue &amp; some in taxpayers' favour. The matter is now pending before Supreme Court</p>	<p>'AO' for the purposes of pre-assessment enquiry shall mean &amp; shall always be deemed to have meant <u>AO other than the NaFAC</u></p>	<p>To provide clarity &amp; avoid litigation</p>

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by the DIN in any manner</b></p> <p><i>Section(s) amended / inserted: 522(2) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>CBDT Circular 19 of 2019 provided for quoting of a computer-generated DIN on assessment orders. There have been judicial pronouncements where <u>assessments have been held to be invalid on insignificant grounds like non-quoting of DIN on every page of the assessment order or body of the order</u> even where DIN was lawfully generated &amp; quoted in the communication accompanying the said orders. This has resulted in an interpretation where assessments have been declared invalid even though they were in conformity with the requirements of law</p>	<p>As long as there is a <u>reference of DIN</u> in the assessment order, the same would be sufficient compliance</p>	<p>To ensure correct interpretation of law, minimize litigation &amp; encourage certainty</p>

A new section 292BA has been inserted in the IT Act, 1961 to capture similar amendment in existing law

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Clarification of time-limit for completion of draft assessment in cases involving DRP</b></p> <p><i>Section(s) amended / inserted: 275, 286 of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>Time limit for completion of assessment is usually 31 Mar. In cases involving DRP, AO is required to forward a 'draft' of the assessment order to the taxpayer before finalization of assessment. Courts have held that time limit of <u>31 Mar</u> is <u>the due date for passing final assessment order (&amp; not draft assessment order)</u>, as a result of which tax authorities are left with lesser time to prepare the draft assessment order</p>	<p>In cases involving DRP, time limit for completion of assessment (usually 31 Mar) implies due date for passing <u>draft assessment order (not final assessment order)</u></p>	<p>To provide certainty &amp; minimize litigation</p>

Similar amendment has been made in sections 144C, 153, 153B of the IT Act, 1961 applicable from 1 April 2009 / 1 Oct 2009 onwards

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment																
<p><b>Time limit of 60 days for passing order by TPO - Clarification issued regarding manner of computation of 60 days</b></p> <p><i>Section(s) amended / inserted: 92CAA(3) of IT Act, 1961, 166(7) of IT Act, 2025</i></p> <p><i>Effective from: (a) 1 Jun 2007 onwards (for 1961 Act), (b) 1 Apr 2026 onwards (for 2025 Act)</i></p>	<p>Time limit for passing of order by TPO is 60 days prior to the period of limitation for passing order of assessment / reassessment by the AO</p> <p>There has been litigation in courts as to manner of calculation of 60 days – whether the date of <u>limitation (for passing order of assessment / reassessment by AO) would be included or not within the period of 60 days</u></p>	<p>Period of limitation under IT Act would be as below.</p> <table border="1" data-bbox="1125 342 1957 1009"> <thead> <tr> <th data-bbox="1125 342 1582 472">Date of limitation for passing assessment / reassessment order by AO</th><th data-bbox="1582 342 1957 472">Last date for passing order by TPO</th></tr> </thead> <tbody> <tr> <td data-bbox="1125 472 1582 558"><b>(a) IT Act, 1961</b></td><td data-bbox="1582 472 1957 558"></td></tr> <tr> <td data-bbox="1125 558 1582 645">31 Mar (not a leap year)</td><td data-bbox="1582 558 1957 645">30 Jan</td></tr> <tr> <td data-bbox="1125 645 1582 731">31 Mar (leap year)</td><td data-bbox="1582 645 1957 731">31 Jan</td></tr> <tr> <td data-bbox="1125 731 1582 817">31 Dec</td><td data-bbox="1582 731 1957 817">1 Nov</td></tr> <tr> <td data-bbox="1125 817 1582 904"><b>(b) IT Act, 2025</b></td><td data-bbox="1582 817 1957 904"></td></tr> <tr> <td data-bbox="1125 904 1582 990">31 Mar</td><td data-bbox="1582 904 1957 990">31 Jan</td></tr> <tr> <td data-bbox="1125 990 1582 1009">31 Dec</td><td data-bbox="1582 990 1957 1009">31 Oct</td></tr> </tbody> </table>	Date of limitation for passing assessment / reassessment order by AO	Last date for passing order by TPO	<b>(a) IT Act, 1961</b>		31 Mar (not a leap year)	30 Jan	31 Mar (leap year)	31 Jan	31 Dec	1 Nov	<b>(b) IT Act, 2025</b>		31 Mar	31 Jan	31 Dec	31 Oct
Date of limitation for passing assessment / reassessment order by AO	Last date for passing order by TPO																	
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31 Dec	1 Nov																	
<b>(b) IT Act, 2025</b>																		
31 Mar	31 Jan																	
31 Dec	31 Oct																	



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets</b></p> <p><i>Section(s) amended / inserted: 446 of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 509 of IT Act, 2025 provides for obligation to furnish information on transaction of crypto-asset; Prescribed reporting entity has the obligation to furnish information in respect of transactions in a crypto asset in a statement</li> <li>Currently <u>there is no specific provision for penalty</u> for furnishing inaccurate particulars or failure to correct such inaccuracy in such statement</li> </ul>	A provision for <u>penalty has been introduced</u> , amounting to INR 200 per day for non furnishing of statement & INR 50,000 for furnishing inaccurate particulars & failure to correct such inaccuracy	To create deterrence for non-furnishing of such statement or for sharing inaccurate information in such statement



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Providing definition of 'commodity derivative'</b></p> <p><i>Section(s) amended / inserted: 66(4) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>Section 66(33) of IT Act, 2025 provides for definition of 'specified derivative transaction'. The said definition uses the term 'commodity derivative'. The term 'commodity derivative' has been defined in the IT Act 1961, however, it is <u>not defined in the IT Act 2025</u></p>	<p>Definition of 'commodity derivative'; has been provided in the IT Act 2025</p>	<p>To align with provisions of IT Act, 1961</p>
<p><b>Providing definition of 'authorised person'</b></p> <p><i>Section(s) amended / inserted: 402(27)(c) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<p>Section 402(27) of IT Act, 2025 provides for definition of 'person responsible for paying'. In case of payment to non-resident, for transfer of foreign exchange asset, 'authorised person' is the person responsible for paying. The term 'authorised person' has been defined in the Income-tax Act, 1961, however, <u>it is not defined in the Income-tax Act, 2025</u></p>	<p>Definition of 'authorised person' has been provided in the IT Act 2025</p>	

# Direct Tax Proposals

## Correction in provisions relating to Income from House Property & PAN

Correction proposed in Section 21(5) of the IT Act, 2025 to align with the corresponding provision under IT Act, 1961, to provide that annual value of house property held as stock-in-trade to be taken as nil upto 2 years from the end of the FY in which completion certificate is obtained from the authorities

As per Section 22(2) of the IT Act, 2025, aggregate amount of tax-deduction in case of self-occupied house property cannot exceed INR 2 lakh where property is acquired / constructed with borrowed capital. The provision would be amended to provide that aggregate deduction for interest on borrowed capital shall be inclusive of prior period interest payable in respect of such property

*Effective from: 1 Apr 2026 onwards*



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Guidelines to be binding on tax authorities &amp; person liable to deduct / collect tax at source</b></p> <p><i>Section(s) amended / inserted: 400(2) of IT Act, 2025</i></p> <p><i>Effective from: 1 Apr 2026 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 400(2) of the IT Act, 2025 allows CBDT to issue guidelines to remove difficulties arising in giving effect to provisions of TDS / TCS chapter</li> <li>Corresponding provisions in the IT Act, 1961 also provide that such guidelines shall be binding on tax authorities &amp; on the person liable to deduct / collect tax at source. However, section 400(2) of the IT Act 2025 <u>does not contain aforesaid clause which binds the guidelines</u></li> </ul>	<p>Any guidelines issued to remove difficulties in giving effect to provisions of TDS / TCS chapter <u>shall be binding on tax authorities &amp; on the person liable to deduct or collect tax at source</u></p>	<p>To align with the intent of the provisions of IT Act 1961</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Clarifying repeal &amp; savings clause where amount allowed as tax-deduction earlier is to be treated as income in a later year</b></p> <p><i>Section(s) amended / inserted: 536(2)(h) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 536(2)(h) of the IT Act, 2025 provides that where any tax-deduction has been allowed under the repealed IT Act, 1961, subject to fulfilment of certain conditions, then on violations of such conditions, such amount will be considered as taxable in the TY in which violation takes place</li> <li>However, there are provisions in the repealed IT Act, 1961, where any tax-deduction allowed under the IT Act 1961 may have to be taxable as per IT Act 1961 under the provisions of IT Act 2025, even without violations of any conditions. <u>Section 536(2)(h) presently does not cover these cases</u></li> </ul>	<p>Where any sum has been allowed as tax-deduction under the repealed IT Act 1961, such sum will be considered as taxable under IT Act 2025, even without violations of any conditions, if it was to be included in the total income under the provisions of IT Act 1961 had it not been repealed</p>



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Amendment in the provision relating to merger of NPOs</b></p> <p><i>Section(s) amended / inserted: 352(4), 354A of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 352(4) (Table: Sl. No. 8) of IT Act, 2025 provides that the specified person shall be liable to pay tax on accrued income where it has merged with any other entity other than a registered NPO having same or similar objects</li> <li>The provision <u>does not capture a situation where a registered NPO has merged with any other registered NPO</u> having same or similar objects as was provided u/s 12AC of the IT Act, 1961</li> </ul>	<p><u>New provision has been inserted</u> to provide that where any registered NPO has merged with any other registered NPO, section 352 shall not apply if:</p> <ul style="list-style-type: none"> <li>The other registered NPO has same or similar objects; &amp;</li> <li>The said merger fulfils the prescribed conditions</li> </ul>	To provide for the provisions similar to Section 12AC of the IT Act, 1961



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Amendment in provisions relating to violations by a registered NPO</b></p> <p><i>Section(s) amended / inserted: 351(1) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<ul style="list-style-type: none"> <li>Section 351 of IT Act, 2025 specifies activities which constitute 'specified violation' by a registered NPO. It includes violation on account of commercial activities by registered NPO carrying out advancement of any other object of general public utility. Such violation is also included in 'other violation' u/s 353</li> <li>Inclusion of such violation u/s 351 as 'specified violation' may lead to cancellation of registration, which was not the intent under the IT Act, 1961</li> </ul>	Reference of such violation would be removed from IT Act, 2025	To align with IT Act, 1961



# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Filing of Belated ITR allowed for registered NPOs</b></p> <p><i>Section(s) amended / inserted: 349 of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<p>U/s 349 of IT Act, 2025, registered NPOs are allowed to file ITR within the due date <u>but not Belated ITR</u></p>	<p><u>Registered NPOs have been allowed to file Belated ITR</u> (within 9 months from end of relevant TY or completion of assessment, whichever is earlier)</p>
<p><b>Non-allowability of Interest as a tax-deduction against dividend Income</b></p> <p><i>Section(s) amended / inserted: 93(2) of IT Act, 2025</i></p> <p><i>Effective from: TY 2026-27 onwards</i></p>	<p>Dividend income &amp; income from units of mutual funds constitute passive investment receipts taxable as 'Income from other sources' under the IT Act, 2025. Section 93 of IT Act, 2025 provides for allowing certain deductions against such income, i.e interest expenditure incurred for earning such income, subject to a ceiling of 20% of the gross dividend or income from units of mutual funds</p>	<p><u>No deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds</u></p>

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<b>Capital gain exemption for Sovereign Gold Bond</b>  <i>Section(s) amended / inserted: 70(1)(x) of IT Act, 2025</i>  <i>Effective from: TY 2026-27 onwards</i>	<p>70(1)(x) of the IT Act, 2025 provides for exemption from capital gains tax on income arising from redemption of Sovereign Gold Bonds issued by RBI under the Sovereign Gold Bond Scheme, 2015. Sovereign Gold Bonds have been issued by RBI on a recurring basis through multiple series notified from time to time, each constituting a separate issuance</p>	<p>Tax-exemption shall be available only where the Sovereign Gold Bond is subscribed to by a subscriber at the time of original issue &amp; is held continuously until redemption on maturity, for all Sovereign Gold Bonds issued by RBI from time to time</p>	<p>To ensure uniform application of the tax-exemption across all such issuances &amp; to align the provision with its intended scope</p>

*Increase in STT rates*

*Effective from: 1 Apr 2026 onwards*

Nature of Receipt	Existing Rate	Proposed Rate	Reason for Amendment
Sale of an option in securities	0.1% of option premium	0.15% of option premium	<p>To address the issue of disproportionate increase in speculation in futures &amp; options trading</p>
Sale of an option where the option is exercised	0.125% of intrinsic price	0.15% of intrinsic price	
Sale of a future in securities	0.02% of the traded price	0.05% of the traded price	

# Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<b>Taxation of buyback of shares</b> <i>Section(s) amended / inserted: 2(40)(f), 69</i> <i>Effective from: TY 2026-27 onwards</i>	<ul style="list-style-type: none"> <li>Consideration received by a shareholder on buy-back of shares is treated as <u>dividend income</u> u/s 2(40)(f) of IT Act, 2025 &amp; taxed accordingly</li> <li>Cost of acquisition of shares extinguished on buy-back is recognised separately as capital loss u/s 69 of IT Act, 2025</li> </ul>	<ul style="list-style-type: none"> <li>Consideration received on buy-back shall be taxable as <u>capital gain</u> (instead of being treated as dividend income)</li> <li>The effective tax liability on gains arising from buy-back shall be <u>30%</u>, comprising tax payable at the applicable rates together with an additional tax. In case of <u>promoter companies</u>, the effective tax liability will be <u>22%</u></li> </ul>	<ul style="list-style-type: none"> <li>To rationalise taxation of share buy-backs</li> <li>Considering the distinct position &amp; influence of promoters in corporate decision-making in relation to buy-back transactions</li> </ul>

## Other Amendment

Exemption from TDS obligation has been provided on payment of interest income (other than interest on securities) to any co-operative society engaged in banking business

*Section(s) amended / inserted: 393(4) of IT Act, 2025*

*Effective from: 1 Apr 2026 onwards*

# About Us

KrayMan Consultants LLP (KrayMan) is an accounting & consulting Firm headquartered in Gurugram & serving Clients across India for more than 14 years. We have been serving Domestic as well as International Clients from countries like USA, Japan, Australia, EU etc.

We were founded in 2012 by professionals from Big 4 accounting firms & industry background. We are a team of Chartered Accountants, Company Secretaries, Advocates & MBAs.

We specialize in India-Entry, Accounting, Taxation, Legal, Regulatory, Assurance, HR, Payroll, Loan staffing & Global Outsourcing services. We provide services in the areas of Compliance, Advisory & Litigation.

We are a member of **Aliant+**, a global alliance of leading accounting and law firms, and **Japan Chamber of Commerce & Industry in India (JCCI)**, contributing to its Tax Committee and supporting the Japanese business community in India.

We have been Awarded under the category 'Small Business Award 2021' by the International Business Council of Australia. We are an ISO/IEC 27001:2022 compliant Firm.



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## Disclaimer

*The intention of the newsletter is to cover highlights of the Union Budget 2026. Attempt has been made to cover key announcements. No claim is made to cover each & every proposal introduced in the Union Budget. The newsletter contains information of general nature & is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.*