

## BUDGET 2026, HIGHLIGHTS & ANALYSIS

The Union Minister for Finance and Corporate Affairs, **Smt. Nirmala Sitharaman**, today tabled the **Union Budget 2026–27** in Parliament. The Budget is focused on driving strong and sustainable economic growth, generating employment, and promoting inclusive development across the country. It reflects the Government’s vision of building a “**Viksit Bharat**” a developed, resilient, and inclusive India by carefully balancing ambitious growth objectives with economic stability.

Rooted in a people-first approach, the Union Budget 2026–27 emphasizes meaningful action and long-term outcomes rather than mere announcements. The Budget is structured around three key priorities (**Kartavya**): accelerating sustainable economic growth, strengthening skills and employment opportunities, and ensuring inclusive development in alignment with the vision of **Sabka Saath, Sabka Vikas**.

### **KEY HIGHLIGHTS OF THE BUDGET 2026 ARE SUMMARISED BELOW:**

#### **DIRECT TAXATION:**

##### ➤ **New Income Tax Act from 1 April 2026:**

The New Income Tax Act, 2025 is set to come into force from 1 April 2026, marking a major step towards simplifying India’s direct tax framework. The government has indicated that simplified Income Tax Rules and return forms will be notified shortly, making compliance easier for taxpayers.

##### ➤ **Income Tax Rates Remain Unchanged:**

There is no change in income-tax rates for AY 2026-27 for any category of taxpayers. The new tax regime continues as the default for individuals under Section 115BAC (Section 202 of the New Act). Health & Education Cess at 4% and existing surcharge rates, caps, and marginal relief will continue unchanged.

##### ➤ **Exemption for Sovereign Gold Bonds:**

- Existing Provision: Section 70(1)(x) provides exemption from capital gains tax on redemption of Sovereign Gold Bonds (SGBs).
- Amendment: Exemption applies only if the SGB is subscribed at the original issuance and held continuously until maturity.
- Effective Date: 1st April, 2026 (Tax Year 2026-27 onwards)

➤ **Rationalising Due Dates for Filing Income Tax Returns:**

The Income Tax Act, 2025 (Section 263) specifies due dates for filing ITRs, covering original, belated, revised, and updated returns. To ease compliance for non-audit businesses, partners of non-audit firms, and trusts, due dates have been rationalised:

Sl.	Person	Conditions	Due date
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 apply	30 <sup>th</sup> 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 (if section 10 applies to such spouse).	Where the provisions of section 172 do not apply	31 <sup>st</sup> 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 (if section 10 applies to such spouse).	As above	31 <sup>st</sup> August
4.	Any other assessee	-	31 <sup>st</sup> July

**Note:** Section 172 of new Act, 2025 corresponds to Section 92E (relating to person entering into specified international or specified domestic transaction – transfer pricing provisions) of the old income tax Act, 1961.

**Effective Dates:**

- IT Act, 2025: 1 April 2026 (Tax Year 2026-27)
- IT Act, 1961: 1 March 2026 (Assessment Year 2026-27)

These updates give taxpayers more time to prepare accounts and simplify compliance.

## ➤ **Revised and Updated Returns: Key Compliance Changes:**

To promote voluntary compliance and give taxpayers more flexibility, the Income-tax Act, 2025 proposes important changes to the timelines and scope of revised and updated returns.

### • **Extension of Time Limit for Revised Returns:**

Currently, revised returns can be filed within 9 months from the end of the tax year, which often overlaps with the belated return timeline. To address this, the time limit for filing a revised return will be extended to 12 months from the end of the relevant tax year. A prescribed fee will apply to revised returns filed after 9 months. *(Effective from 1 April 2026 (Tax Year 2026–27 onwards); corresponding amendment under the Income-tax Act, 1961 from 1 March 2026.)*

### • **Expanded Scope of Updated Returns:**

Reduction of Loss Allowed Taxpayers will be permitted to file an updated return to reduce the amount of loss originally claimed, provided the original return was filed within the due date. *(Effective from 1 April 2026.)*

Updated Return after Reassessment Notice Updated returns will be allowed even after issuance of a reassessment notice, if filed within the time specified in the notice. Such filings will attract additional tax of 25% to 70%, plus an extra 10% where filed pursuant to the notice. No penalty will be levied on income for which additional tax is paid. *(Effective from 1 April 2026; corresponding changes under the Income-tax Act, 1961 from 1 March 2026.)*

## ➤ **Increase in Securities Transaction Tax (STT) Rates:**

- Effective Date: 1st April, 2026
- Existing Framework: STT levied on transactions in specified securities through recognized market infrastructure.
- Amendment: Revised STT rates for derivatives:
  - Sale of option in securities: 0.1% → 0.15% of option premium
  - Sale of exercised option: 0.125% → 0.15% of intrinsic price
  - Sale of futures in securities: 0.02% → 0.05% of traded price

➤ **Ease of Living: Major Relief Measures for Taxpayers:**

To improve compliance and reduce genuine hardship, several taxpayer-friendly relief measures have been proposed, effective from 1 April 2026 (Tax Year 2026–27 onwards).

i. **Rationalisation of Due Date for Employee Contribution Deductions:**

Employers will now be allowed to claim a deduction for employee contributions to PF, ESI, etc. if the amount is deposited by the due date of filing the income-tax return. This aligns the deduction timeline with the return filing date and replaces the earlier requirement of depositing contributions within the due dates prescribed under the respective labour laws.

ii. **Full Tax Exemption on Interest under the Motor Vehicles Act:**

Interest received on compensation awarded under the Motor Vehicles Act, 1988 will be fully exempt from income tax. The exemption applies to accident victims as well as their legal heirs, providing much-needed financial relief during difficult times.

iii. **No TDS on Interest from Motor Accident Compensation:**

No Tax Deducted at Source (TDS) will be applicable on interest received on compensation awarded by the Motor Accidents Claims Tribunal. The earlier ₹50,000 threshold limit has been removed, ensuring that victims receive the full amount without tax deductions.

iv. **Tax Exemption for Disability Pension of Armed Forces and Paramilitary Personnel:**

Disability pension received by Armed Forces and Paramilitary personnel who are invalided out of service due to a disability attributable to or aggravated by military service will continue to be fully exempt from income tax. The exemption will cover both the service element and the disability element of the pension. However, this benefit will not apply to personnel retiring on superannuation or otherwise.

➤ **Non-Profit Organisations (NPOs) :**

- Merger of registered NPOs with same/similar objects not liable for tax on accreted income (new Section 354A).
- Certain commercial activities no longer considered “specified violations.”
- Belated return filing allowed (Section 349).
- Certain funds exempted from mandatory registration.

➤ **TDS/TCS and Compliance Simplification Measures:**

With the objective of reducing procedural complexity and improving ease of compliance, the government has proposed several taxpayer-friendly reforms relating to TDS and TCS.

i. **Online Facility for Lower or Nil TDS/TCS Certificates:**

Taxpayers will be able to apply electronically for lower or nil TDS/TCS certificates, doing away with the need for physical interaction with the Assessing Officer. The approval or rejection of such certificates will be handled through a rule-based electronic system, subject to prescribed conditions. This initiative is expected to significantly ease compliance, particularly for small and medium taxpayers. *(Effective from 1 April 2026.)*

ii. **Relief from TAN Requirement for Property Purchases from Non-Residents:**

Resident individuals and HUFs purchasing immovable property from a non-resident seller will no longer be required to obtain a TAN for TDS purposes. Instead, PAN-based TDS deduction will be permitted, similar to transactions involving resident sellers. This measure aims to reduce compliance burden in one-time or infrequent property transactions. *(Effective from 1 October 2026.)*

iii. **Single Declaration Mechanism for No TDS via Depositories:**

Investors will be allowed to submit a single consolidated declaration for non-deduction of TDS on income such as dividends, interest on securities, and mutual fund income through their depository. The depository will circulate the declaration to all concerned payers, eliminating the need to submit separate declarations to multiple entities. Further, the reporting frequency for payers has been relaxed from monthly to quarterly. This facility will be applicable only to listed securities and mutual fund units held in Demat form. *(Effective from 1 April 2027.)*

iv. **Clear TDS Treatment for Supply of Manpower:**

To address long-standing ambiguity, the supply of manpower will be treated as “work” for TDS purposes. Accordingly, tax will be deducted under contractor provisions at:

- 1% where payment is made to an individual or HUF
- 2% in all other cases
- This clarification confirms that manpower supply will not be classified as professional or technical services for TDS purposes. *(Effective from 1 April 2026.)*

v. **Rationalisation of TCS Rates – FY 2026-27:**

Effective 1st April 2026, the Government has revised Tax Collection at Source (TCS) rates to simplify compliance and reduce taxpayer burden.

<b>Nature of Receipt</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Sale of alcoholic liquor	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal, lignite, iron ore)	1%	2%
Remittance under LRS (>₹10 lakh)	5% (education/medical), 20% (others)	2% (education/medical), 20% (others)
Sale of overseas tour packages	5% (≤₹10 lakh), 20% (>₹10 lakh)	2% (all amounts, threshold removed)

➤ **Relief from Prosecution, Penalty Rationalisation & Procedural Simplification:**

The Government has proposed a series of far-reaching reforms under the Black Money Act and the Income-tax Acts, 1961 and 2025, aimed at decriminalising minor defaults, rationalising penalties, and simplifying assessment procedures. These changes reflect a clear policy shift from punishment to proportionality and voluntary compliance.

Below is a consolidated overview of the key amendments and their implications.

i. **Relief from Prosecution under the Black Money Act, 2015**

• **Background**

Sections 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) Act, 2015 provide for rigorous imprisonment and fines for wilful non-disclosure of foreign income or assets by residents.

• **What's Changing?**

To provide relief in cases of minor or inadvertent non-disclosures, prosecution provisions will not apply where:

- The undisclosed foreign asset is not immovable property, and
- The aggregate value does not exceed ₹20 lakhs.

• **Effective Date**

Retrospective from 1 October 2024

- Impact

Genuine taxpayers with small foreign holdings get significant relief from harsh prosecution provisions.

## ii. Rationalisation of Prosecution under the Income-tax Act, 2025 & 1961

- Existing Position

Both the IT Act, 2025 (Sections 473–485 & 494) and IT Act, 1961 (Sections 275A–278A & 280) prescribe rigorous imprisonment for several offences such as:

- Tax evasion
- TDS/TCS defaults
- Falsification of accounts
- Failure to furnish returns or information

- Objectives of the Reform

- Decriminalise minor and technical offences
- Make punishment proportionate to the tax involved
- Replace mandatory rigorous imprisonment with simple imprisonment, fine, or both
- Fully decriminalise select offences

- Key Changes

- Maximum imprisonment reduced from 7 years to:
  - 2 years (first offence)
  - 3 years (subsequent offences)
- Tax evasion up to ₹10 lakhs → *fine only, no imprisonment*
- Graded punishments for TDS/TCS defaults, falsification, and under-reporting
- Certain offences fully decriminalised (e.g., failure to produce books)
- Section headings revised for better clarity

- Effective Dates

- IT Act, 2025: 1 April 2026
- IT Act, 1961: 1 March 2026

- Impact

Criminal liability now aligns better with the gravity of the offence.

### iii. Rationalising Block Assessment for “Other Persons” (Section 295)

- Current Issue

When undisclosed income relates to a third person (not the searched person), the same full block period applies even if the income pertains to only one year leading to unnecessary compliance burden.

- Proposed Amendment

Limit the block period only to the relevant tax year for such third persons.

- Effective Date

1 April 2026, for searches/requisitions initiated on or after this date.

- Impact

Targeted assessments and reduced litigation for third parties.

### iv. Uniform Time Limit for Block Assessments (Section 296)

- Current Position

Block assessments must be completed within 12 months from the end of the quarter in which the *last* search authorisation was executed causing complexity in group searches.

- Proposed Changes

- Reference point shifted to date of initiation of search/requisition
- Time limit extended to 18 months

- Effective Date

1 April 2026, for searches/requisitions initiated on or after this date.

- Impact

Better coordination and predictability in group assessments.

### v. Penalty Rationalisation, Fees & Immunity

- Conversion of Penalties into Fees (From AY 2026-27)

Default	Earlier	New Regime
Failure to get accounts audited	Penalty	Graded fee (₹75,000 / ₹1,50,000)
Failure to furnish accountant's report	Penalty	Graded Fee (₹50,000 / ₹1,00,000)
Non-furnishing SFT	Penalty	Fee with ₹1,00,000 cap

- **Penalty for Under-Reporting / Misreporting**
  - **Key Changes:**
    - Penalty under Section 270A to be included directly in assessment order
    - Interest under Section 220(2) to apply after appellate decision
    - Alignment with DRC framework for faster resolution
  - **Effective from:**  
1 April 2027 (both IT Act, 2025 & 1961)
- **Increase in Maximum Penalty**

Penalty for failure to furnish information increased from ₹1,000 to ₹25,000

  - **Effective from:** 1<sup>st</sup> April 2026
- **Rationalisation of Tax & Penalty on Unexplained Income**
  - Tax rate on unexplained income reduced from 60% to 30%
  - Separate penalty provision omitted and subsumed under misreporting provisions
  - **Effective from:** 1<sup>st</sup> April 2026
- **Expansion of Immunity from Penalty & Prosecution**
  - **IT Act, 2025 (Section 440):**
    - Immunity even for misreporting cases on payment of 120% of tax
  - **IT Act, 1961 (Section 270AA):**
    - Similar immunity on payment of 100% additional tax
  - **Effective Dates:**
    - Section 440: 1 April 2026
    - Section 270AA: 1 March 2026.

➤ **Income-tax Clarifications & Amendments to Simplify Compliance:**

The Government has introduced clarifications and amendments to streamline assessments, Transfer Pricing, tonnage tax, and crypto reporting, reducing litigation and simplifying compliance.

**i. Jurisdiction for Reassessment (Sections 148/148A)**

- Only the Assessing Officer (AO) can conduct pre-assessment enquiries under Sections 148A/148.
- NaFAC limited to faceless assessment after issuance of notice.
- Aligns Income-tax Act, 1961 (retrospective 1 April 2021) and IT Act, 2025.

ii. **Validity of Computer-Generated DIN**

- Assessments cannot be invalidated due to minor defects or omissions in quoting DIN if referenced anywhere in the order.
- Applies retrospectively from 1 Oct 2019 (IT Act, 1961).

iii. **Section 144C – Time-Limit Clarification**

- Section 153/153B timelines apply only to draft order stage;
- Section 144C timelines govern finalization of assessment, reducing litigation.
- Effective retrospectively from 1 April/1 Oct 2009 (IT Act, 1961).

iv. **60-Day Computation by Transfer Pricing Officer (TPO)**

- Section 92CA(3A) now clarifies 60-day period includes date of limitation, ensuring uniform interpretation.
- Effective retrospective from 1 June 2007 (IT Act, 1961).

v. **Tonnage Tax Scheme Extended to Inland Vessels**

- Inland vessels under Inland Vessels Act, 2021 now eligible.
- Updates include recognition of valid registration certificates, compliance with IWAI training guidelines, and inclusion in net tonnage computation.
- Effective 1 April 2026.

vi. **Crypto-Asset Reporting Penalties**

- Non-furnishing of statements: ₹200/day
- Inaccurate or uncorrected information: ₹50,000
- Incorporated via Section 446.
- Effective 1 April 2026.

➤ **Deduction for Non-Life Insurance Companies on Delayed TDS Payment**

Non-life insurance companies will be allowed to claim deduction of expenses in a subsequent year once TDS is actually deducted and paid, even if the deduction or payment was delayed in earlier years. This amendment aligns the treatment of such expenses with the general principle of allowing deductions on actual tax compliance. The change will be implemented by amending Schedule XIV of the Income-tax Act to remove existing inconsistencies. *(Effective from 1 April 2026 and applicable from Tax Year 2026–27 onwards.)*

➤ **Explicit Tax Exemption on Compensation for Compulsory Land Acquisition under RFCTLARR Act**

To remove ambiguity and provide legislative clarity, the Income-tax Act will be amended to explicitly exempt income arising from compulsory land acquisition under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act).

While Section 96 of the RFCTLARR Act already exempts income-tax on compensation (except under Section 46), and the CBDT had earlier clarified that such income is not taxable even without a specific provision in the Income-tax Act, the exemption will now be expressly incorporated into Schedule III of the Income-tax Act.

The exemption will apply to awards or agreements (other than those under Section 46) relating to land acquisitions made on or after 1 April 2026, ensuring certainty and uniform tax treatment. *(Applicable from 1 April 2026 for Tax Year 2026–27 and onwards.)*

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

FAST-DS 2026 is a one-time, 6-month voluntary disclosure scheme proposed under the Finance Bill, 2026 to help small taxpayers regularise undisclosed foreign income or assets under the Black Money Act, 2015.

The scheme addresses ongoing non-compliance identified through Automatic Exchange of Information (AEOI), particularly involving ESOPs/RSUs, dormant foreign bank accounts, overseas savings or insurance policies, and assets held during foreign deputation.

i. **Key features:**

- Time-bound window for voluntary disclosure of foreign assets and foreign-sourced income.
- Relief through payment of tax or a fixed fee, depending on the category.
- Limited immunity from penalty and prosecution under the Black Money Act.
- Excludes cases involving prosecution or proceeds of crime.

## ii. **Relief categories:**

- Undisclosed foreign income/assets up to ₹1 crore
  - Payment of 30% tax + 30% penalty on fair market value or undisclosed income.
  - Immunity from prosecution granted.
- Foreign assets up to ₹5 crore already taxed but not disclosed
  - Payment of a one-time fee of ₹1 lakh.
  - Full immunity from penalty and prosecution.

The scheme will come into effect from a date notified by the Central Government.

## ➤ **Amendments for Cooperative Societies and Associated Enterprises**

The Government has introduced significant tax reforms for cooperative societies and associated enterprises, effective 1st April 2026 (tax year 2026-27), simplifying compliance and expanding deductions.

### i. **Deduction on Dividends**

- **Old regime:** Deduction allowed only for dividends/interest from other co-ops; dividends from companies fully taxable.
- **New rule:**
  - Deduction allowed for dividends received from other co-ops if distributed to members.
  - Federal co-ops can claim deduction for company dividends till tax year 2028-29 if invested by 31 Jan 2026 and distributed to members.

### ii. **Expanded Deduction for Ancillary Activities**

- Deduction under Section 149(2)(b) now includes profits from supplying cattle feed and cotton seeds by primary co-op members.

### iii. **Inclusion of Multi-State Cooperatives**

- Cooperatives registered under the Multi-State Cooperative Societies Act, 2002 are now included under the definition of cooperative society.

### iv. **No TDS on Interest Income**

- No TDS on interest income for co-operative societies engaged in banking, including land mortgage banks.

### v. **Section 169 – Associated Enterprises under APA**

- Affected associated enterprises can now:
  - File return or modified return,
  - Claim refunds for additional taxes,
  - Within 3 months of APA entry, for tax years covered by the APA.

## ➤ **Tax Incentives for Foreign Investment and Critical Industries**

Effective 1st April 2026 (tax year 2026-27), the Government has introduced tax exemptions and deductions to boost data centres, AI, critical minerals, and electronics manufacturing.

### **i. Data Centre Services Exemption**

- Income of foreign companies from specified Indian data centres exempt until 31 March 2047.
- Must be routed via an Indian reseller entity.
- Applies to approved, Indian-owned data centres providing computing and IT infrastructure.

### **ii. Deduction for Critical Minerals Prospecting**

- Expenses for prospecting critical minerals now deductible under Section 51.
- Deduction spread over 10 years from commercial production, including expenses from preceding 4 years.

### **iii. Exemption for Foreign Suppliers to Contract Manufacturers**

- Income from supplying capital equipment/tooling to Indian contract manufacturers exempt until tax year 2030-31.
- Applies to Indian companies producing electronics on behalf of foreign companies.

## ➤ **Key Tax Updates for Non-Residents and IFSC Units (FY 2026-27)**

Effective 1st April 2026, the Government has introduced reforms to boost non-resident services, IFSC units, and treasury operations.

### **i. Non-Resident Services Exemption**

- Income earned outside India by non-residents rendering services under a notified scheme is tax-exempt.
- Valid for 5 consecutive years from first year of service.

### **ii. IFSC Units & OBUs**

- Deduction period extended to 20 consecutive years.
- Post-deduction, business income taxed at 15%.

### **iii. Treasury Centres in IFSC**

- Clarifies dividend rules for loans/advances between group entities in foreign jurisdictions.
- Parent/principal entity must be listed on a recognized foreign stock exchange.

## ➤ **Key Updates on Minimum Alternate Tax (MAT) – FY 2026-27**

Effective 1st April 2026, the Government has revised MAT provisions to simplify compliance and provide relief for domestic and non-resident companies.

### **i. MAT Rationalisation for Companies:**

- **Current MAT:** Applied at 15% on book profits for companies (excluding IFSC units); excess MAT paid allowed as credit for up to 15 years. Only applicable under the old tax regime.
- **Proposed Changes:**
  - MAT in the old regime will be final tax, no new MAT credit allowed.
  - MAT rate reduced to 14% of book profits.
  - MAT credit set-off allowed only in the new regime:
    - Domestic companies: up to 25% of tax liability.
    - Foreign companies: up to the difference between normal tax and MAT.
- **Effective:** 1st April 2026 (tax year 2026-27 onwards).

### **ii. MAT Exemption for Certain Non-Resident Businesses**

- Two additional non-resident businesses excluded from MAT:
  - Operation of cruise ships in India
  - Providing services/technology for electronics manufacturing facilities for Indian companies

## ➤ **Extension of Tonnage Tax Scheme to Inland Vessels – Key Highlights**

The Finance Act, 2025 has extended the Tonnage Tax Scheme to inland vessels registered under the Inland Vessels Act, 2021, bringing new opportunities for inland shipping operators. Here's what you need to know:

### **i. Background:**

- Chapter XIII-G of the Income Tax Act offers tonnage tax benefits to shipping companies.
- Amendments align the scheme with inland vessel operations.

### **ii. Key Amendments:**

- Computation of Tonnage Income (Sec 227):
  - “Certificate” replaced with “valid certificate”.
  - Inland vessels’ certificate of registration under the Inland Vessels Act recognized as proof of net tonnage.

- Relevant Shipping Income (Sec 228):
  - Core activities of passenger ships now include inland vessels.
- Conditions for Applicability (Sec 232):
  - Training compliance to follow IWAI guidelines for inland vessels.
  - Compliance certificates submitted to the designated authority for inland vessels.
  - Average net tonnage calculations in consultation with IWAI.
- Definitions (Sec 235):
  - New definition added for Inland Waterways Authority of India (IWAI).
- Effective Date:
  - Applicable from 1st April 2026, for the 2026-27 tax year and onwards.

## ➤ **Income from House Property & PAN**

- Annual Value of Stock-in-Trade Property (Section 21(5))
  - Annual value of property held as stock-in-trade will be nil for up to 2 years from the end of the financial year in which the completion certificate is obtained.
- Interest Deduction on Borrowed Capital (Section 22(2))
  - Aggregate deduction for interest on self-occupied property now includes prior-period interest.
  - Aligns with Income-tax Act, 1961 provisions.
- PAN Quoting in Documents (Section 262(10)(c))
  - CBDT empowered to make rules for quoting PAN in documents related to transactions even if not pertaining to business or profession.
- Effective Date:
  - Applicable from 1st April 2026

## ➤ **Non-allowability of Interest Deduction against Dividend Income**

- Existing Law: Section 93 allows deduction of interest expenditure against dividend income or income from mutual fund units, subject to 20% of gross income.
- Amendment: No deduction will be allowed for interest expenditure incurred to earn dividend income or income from mutual fund units.
- Purpose: To clarify that such passive investment income cannot be reduced by interest expenses.
- Effective Date: 1st April, 2026 (applicable from tax year 2025-26 onwards)

## ➤ Taxation of Buyback of Shares

- Existing Law: Consideration received on buyback treated as dividend income; cost of shares extinguished recognized separately as capital loss.
- Amendment:
  - Buyback consideration now taxed under Capital Gains instead of dividend income.
  - Promoters: Effective tax on buyback gains = 30% (tax + additional tax).
  - Promoter companies: Effective tax = 22%.
- Effective Date: 1st April, 2026 (Tax Year 2026-27 onwards)

## **CORPORATE & MSME INITIATIVES:**

### ➤ **Alignment of ICDS with Ind AS:**

The Government has proposed setting up a Joint Committee of the Ministry of Corporate Affairs (MCA) and the CBDT to integrate the Income Computation and Disclosure Standards (ICDS) into the Indian Accounting Standards (Ind AS).

With this move, the separate accounting and computation requirements under ICDS will be eliminated from Tax Year 2027–28 onwards, aligning tax computation directly with Ind AS–based financial statements.

This reform aims to simplify compliance, reduce reconciliation burdens, and minimise tax disputes, marking a key step towards a more streamlined accounting–tax framework in India.

### ➤ **Empowering MSMEs: Government to Train 'Corporate Mitras' for Affordable Compliance Support**

The government has announced plans to collaborate with professional institutions like ICAI, ICSI, and ICMAI to create short-term, modular courses aimed at developing a cadre of 'Corporate Mitras'—accredited para-professionals who will assist MSMEs in meeting their compliance requirements. Focused on Tier-II and Tier-III towns, these professionals will provide cost-effective compliance support, helping MSMEs navigate complex regulations while promoting affordable growth and sustainability.

## **INDIRECT TAXATION:**

### **➤ Goods & Service Tax**

- i. Section 15 of the CGST act has been amended to remove the requirement for discounts to be pre-agreed and linked to specific invoices

#### **Amendment of section 15 of the CGST Act:**

Businesses will no longer need a pre-existing agreement to claim GST benefits on post-sale discounts. As long as a credit note is issued under Section 34 and the recipient reverses the related ITC, the discount can be excluded from the taxable value.

- ii. Section 13 of the IGST Act is omitted so that the Place of Supply (POS) for "intermediary services" will be determined as per the default provision under section 13(2) of the IGST Act.

#### **Amendment of section 13 of the IGST Act:**

The special rule for intermediary services is being removed. So, the place of supply will be determined using the general rule (location of the recipient), which may reduce disputes and improve export clarity.

- iii. Section 54 has been amended to issue provisional refund to refunds arising out of inverted duty structure.

#### **Amendment of section 54(6) of CGST Act:**

Taxpayers claiming refunds due to an inverted duty structure will now be eligible for provisional refunds, improving cash flow while the final refund is processed.

- iv. Section 54 of the is being amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

#### **Amendment of section 54(6) of CGST Act:**

Taxpayers claiming refunds due to an inverted duty structure will now be eligible for provisional refunds, improving cash flow while the final refund is processed.

- v. Section 54(14) has been amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

#### **Amendment of section 54(14) of CGST Act:**

The minimum threshold for sanctioning refund claims is being removed for exports made with payment of GST, allowing refunds to be processed regardless of amount.

- vi. Insertion of section 101A(1A): Until the National Appellate Authority (NAA) is constituted, the government can authorize an existing authority or tribunal to hear appeals under Section 101B. This change takes effect from 1 April 2026 and ensures there is no gap in the appellate process.

## ➤ Customs Amendments – Finance Bill 2026

### • Effective Dates:

- Most Customs Act amendments: from date of assent of Finance Bill 2026
- Tariff rate changes via First Schedule: 02.02.2026, 01.04.2026, 01.05.2026
- Baggage Rules, 2026: 02.02.2026

### i. Customs Act, 1962 Amendments

- Territorial Extension: Jurisdiction extended beyond Indian waters for fishing & related activities.
- New Definitions: ‘Indian-flagged fishing vessel’ added.
- Penalty Provisions: Penalty under section 28(5) now deemed non-payment of duty.
- Advance Ruling: Valid for 5 years or till law/fact changes; existing rulings can be extended.
- Section 56A: Special provisions for Indian-flagged vessels beyond territorial waters; fish can be imported duty-free; export treated for foreign port landing.
- Warehouse Movement: Removal of goods between warehouses allowed without prior officer permission.
- Section 84: Board can regulate custody and examination of imported/exported goods.

### ii. Customs Tariff Act, 1975 Amendments

- MSME Tariffs: Umbrellas & parts now charged minimum Rs. per unit/kg or existing %.
- Tariff Decreases (from 01.04.2026):
  - Personal import goods: 20% → 10%
- Simplification & New Tariff Lines (from 01.05.2026):
  - Meat, nuts, Artemia, chemicals, polymers, lithium, etc. – rates reduced or clarified.
  - New lines added for: Krill, cranberries, blueberries, shea nuts, plant extracts, chemicals, aircraft parts, LED components, scientific instruments, etc.
- Special Exemptions: For battery energy storage (BESS), aircraft MRO, nuclear projects, medicines & rare disease drugs.

### iii. Customs Rules Changes

- Baggage Rules, 2026: Rationalized; clarifies temporary carriage, transfer-of-residence benefits.

- Deferred Duty Payment: Monthly payments allowed; new class of ‘eligible importers’ introduced.

**iv. Changes in Notifications & Duty Rates**

- Effective 02.02.2026:
  - Monazite, sodium antimonate, nuclear power generation items – BCD exemptions/changes
  - Microwave oven manufacture items – BCD exemption
- Review of Exemptions (Notification 45/2025-Customs):
  - 124 conditional exemptions reviewed; 102 continued till 31.03.2028; 22 allowed to lapse.
  - Some unconditional exemptions lapsed from 02.02.2026.
  - Sunset clauses for select entries removed or updated (gold, silver dore bars, etc.)
- Notification 36/2024-Customs: 29 entries merged, 22 redundant entries omitted; rescinded from 01.05.2026.

**v.** Basic Customs Duty (BCD) exemption has been provided on components and parts used in the manufacturing of aircraft. The exemption is aimed at promoting domestic aircraft manufacturing in India. It supports the Government’s “Make in India” and Aatmanirbhar Bharat initiatives in the aviation sector. Reduction in import cost of critical aircraft parts will lower overall manufacturing cost for domestic manufacturers.

**vi.** The exemption improves global competitiveness of Indian aircraft manufacturers. It encourages setting up of MRO (Maintenance, Repair & Overhaul) and aircraft manufacturing facilities in India. The measure helps attract foreign investment and technology transfer in the aviation industry. By reducing dependency on fully built aircraft imports, it supports indigenous production capacity.

**vii.** The exemption applies only when the imported goods are used specifically for aircraft manufacturing, subject to prescribed conditions. Overall, the amendment strengthens India’s position as a global aviation manufacturing hub.

**viii. Medicines & Healthcare Imports:**

Basic Customs Duty (BCD) waived on 17 cancer drugs to reduce treatment costs and improve patient access. Customs duty exemption extended to medicines for rare diseases, making life-saving therapies more affordable. Measure aims to lower healthcare expenses, especially for critical and long-term treatments. Supports the government’s objective of public health welfare and affordable healthcare through indirect tax relief.

➤ **Excise-related changes under the Finance Bill, 2026:**

**i. Amendment to NCCD Rates (Seventh Schedule, Finance Act 2001)**

- Applicable from: 01.05.2026
- Changes: Revised National Calamity Contingent Duty (NCCD) rates on tobacco products:

<b>Tariff Item</b>	<b>Description</b>	<b>Old NCCD Rate</b>	<b>New NCCD Rate</b>
2403 99 10	Chewing tobacco	25%	60%
2403 99 30	Jarda scented tobacco	25%	60%
2403 99 90	Other tobacco products (including gutkha)	25%	60%

- Note: Effective NCCD rate remains 25% as per notification.

**ii. Exemption on Biogas/Compressed Biogas (CBG) in Blended CNG**

- Applicable from: 02.02.2026
- Change: Value of Biogas/CBG (and associated taxes) is excluded from the transaction value for computing central excise duty on blended CNG.
- Notification Update:
  - Amendment to Notification No. 11/2017-Central Excise
  - Rescinds Notification No. 05/2023-Central Excise (which only exempted GST on biogas/CBG).

**iii. Deferment of Higher Excise Duty on Unblended Diesel**

- Original Levy: Additional Rs. 2 per litre on unblended diesel.
- New Implementation Date: Deferred to 31.03.2028.
- Notification Updated: No. 02/2026-Central Excise amending Notification No. 11/2017 Central Excise.

The Finance Bill, 2026 represents a calibrated approach towards tax reform maintaining rate stability while significantly improving ease of compliance, reducing litigation, and promoting voluntary disclosures. The combined impact of direct tax simplification, GST rationalisation, and customs facilitation measures positions the Indian tax framework towards predictability, fairness, and long-term economic growth.

By team BDMV:

CA Bharat J. Vyas [B.Com, FCA, DISA] – Managing Partner

CA Devang H. Divecha [B.Com, FCA, LL.B.] - Partner (Direct Taxes)

CA Mukesh K. Vyas [B.Com, FCA] – Partner (Audit & Assurance)

CA Meet P. Shah [B.Com, ACA, LL.B.] – Partner (Audit & Assurance)

Akshay Marye – Senior Executive

Sanjana Chaurasiya - Executive

Jyothi Pareek – Executive

Krishna Pandya - Executive

Krishi Vohera- Executive

Jill Shah - Executive

Adv. Priyanka Barnwal – Executive

Hrithik Yadav – Executive

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