

The complete analysis of

# UNION BUDGET

## 2026-2027



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# FOREWORD

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The Union Budget 2026 arrives at a defining moment for the Indian economy. Domestic demand has remained resilient, consumption and investment cycles are stabilising, and India continues to assert itself as a key growth engine amid uncertain global conditions.

At the same time, the economy is navigating evolving global headwinds, geopolitical tensions, supply chain realignments, and technological disruption. Against this backdrop, the Union Budget 2026 adopts a calibrated approach that seeks to balance growth imperatives with fiscal prudence, while keeping a firm eye on long-term competitiveness. It's also important to note that for the first time in India's parliamentary history, the Union Budget was presented on a Sunday.

While, at one level, this may appear procedural i.e. keeping up with the 1 February tradition, it carries deeper significance. It reflects an evolving governance mindset, one that places a premium on productivity, preparedness, and outcomes over convention. This gesture underscores a broader shift towards efficiency-driven decision-making and timely policy execution.

A central theme that clearly emerges from the Union Budget 2026 is continuity with purpose. Rather than pursuing headline-driven or disruptive changes, the Government has focused on strengthening the foundations of economic expansion. Policy certainty, ease of compliance, and trust-based regulation are prioritised over short-term optics. From a tax professional's perspective, this approach is both pragmatic and welcome.

From a Fiscal Policy standpoint, the Union Budget 2026 reiterates the Government's commitment to consolidation while preserving adequate space for capital expenditure and growth-enabling interventions. Public investment continues to remain a key driver of economic momentum. Importantly, tax reforms are aligned with this strategy by improving compliance and reinforcing revenue buoyancy without imposing an undue burden on compliant taxpayers.

On the Direct Tax front, the Union Budget 2026–27 advances the transition towards a new Income-tax law. The focus is not on rewriting substantive tax policy, but on procedural reform, i.e. simplifying language, rationalising provisions, and improving taxpayer experience. Measures such as extended timelines for return revisions, rationalisation of penalties, and further decriminalisation of minor offences underscore a shift from an enforcement-led administration to one that is proportionate, facilitative, and trust-based.

The Budget also recognises the evolving nature of India's economy and its deepening engagement with global markets. Targeted tax proposals supporting the IT and digital services sector, rationalisation of safe harbour rules, faster advance pricing agreements, and measures for data centres and global businesses are expected to enhance tax certainty for cross-border operations. For multinational enterprises and Indian companies with international footprints, certainty and timeliness in tax outcomes are as critical as tax rates themselves. These measures signal India's intent to remain competitive while safeguarding its tax base.

Indirect Tax proposals, particularly in the customs domain, further reinforce the reform narrative. The Union Budget 2026 introduces tariff simplification and procedural standardisation aimed at reducing compliance friction and improving certainty in cross-border trade. Expanded use of technology, risk-based assessments, non-intrusive scanning, and an extended duty period under the Authorised Economic Operator framework are designed to reward compliant taxpayers and traders. From a professional lens, this represents a clear shift away from discretionary, compliance-heavy processes towards automated and trust-based mechanisms.

Technology-enabled tax administration remains a defining feature of the 2026 Budget. Faceless procedures, data analytics, system-driven risk selection, and integrated platforms are steadily reshaping the taxpayer–department relationship. While transition challenges persist, the long-term benefits i.e. reduced subjectivity, faster resolutions, and improved transparency are undeniable. The continued investment in digital infrastructure reflects the Government's intent to build a modern, future-ready tax administration.

The true strength of this year's Union Budget lies not in dramatic announcements, but in its coherence and restraint. It prioritises structural reform, administrative efficiency, and credibility over populism; an approach that may not always deliver immediate applause but contributes to durable economic strength.

In conclusion, the Budget reflects a maturing approach to fiscal management and taxation, one that values productivity, continuity, and trust-based governance. As readers engage with this report, I would encourage them to look beyond headline proposals. While it might seem underwhelming at first glance, it is by design that it chooses stability over spectacle. This report also examines tax proposals in detail, assessing their implications for taxpayers, administration, and the broader economy. It seeks to evaluate how these measures contribute to the vision of *Viksit Bharat* by enabling growth, encouraging frictionless voluntary compliance, and ensuring that India's tax system remains robust, equitable, and future-ready.

Please Note:

-This budget has been prepared as a knowledge document, does not constitute an advertisement of any manner and is for private circulation only.

-Contribution of J P Chawla & Co. LLP's team members: Mr. J.P. Chawla, Mr. Ankit Vyas, Mr. Vipin Sharma and Ms. Vinita Chandra for the preparation of this comprehensive budget document is highly appreciated and acknowledged with thanks.

**Hope you enjoy reading our analysis of Final Budget 2026.**

**Happy reading!!**

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*Disclaimer: Based on Budget proposals as presented February 1, 2026, and Economic Survey 2025-26. Refer to Finance Act, 2026, implementing notifications, and circulars for legal certainty. Professional advice strongly recommended for specific situations.*

# ECONOMIC OUTLOOK

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7.5% GDP GROWTH





### OVERVIEW

In 2025, the global economy continued to grow at a moderate but uneven pace, reflecting divergent recovery paths across regions. Global manufacturing activity remained subdued, weighed down by weak external demand, trade fragmentation, and geopolitical uncertainties. Advanced economies faced slowing industrial output and tighter financial conditions, while services activity remained relatively resilient, supported by consumer demand and labour market stability. Volatility in commodity prices and ongoing geopolitical tensions continued to pose risks to global growth and inflation dynamics.

Against this global backdrop, India demonstrated relative macroeconomic resilience. As per the latest official estimates, India's real GDP growth for FY26 is expected to remain in the range of high-6 to low-7 percent, supported largely by strong domestic demand. Growth during the year has been driven by robust performance in the services sector and a steady recovery in agriculture, aided by favourable monsoon conditions and improved rural incomes. Manufacturing activity, while improving sequentially, faced intermittent headwinds due to subdued global demand and cautious private investment sentiment in certain segments.

Private consumption remained a key pillar of growth, supported by stable employment conditions, rising real incomes, and improving consumer confidence. Rural demand showed signs of strengthening, reflecting higher agricultural output, easing food inflation, and continued policy support. Public capital expenditure

continued to play a catalytic role, supporting infrastructure development and crowding in private investment, while corporate balance sheets remained healthy, enabling selective capacity expansion.

Looking ahead, India's economic outlook for FY27 remains balanced. Downside risks stem from external factors such as geopolitical tensions, global trade disruptions, and potential commodity price shocks.

However, domestic growth drivers remain intact. Sustained public investment, improving private capital expenditure, rising consumer confidence, and stable financial sector conditions are expected to support economic expansion. Additionally, strengthening rural demand, supported by agricultural recovery and easing inflation, presents an upside to near-term growth prospects.

### NUMBERS AT A GLANCE

#### GDP Growth Estimates

H1 FY26 Real GDP Growth Rate	8%
FY27 Real GDP Growth Rate Estimate	6.8-7.2%

#### Historical and Projected Inflation

FY26 Headline CPI (up to Dec'25)	~1.7%
FY26 Core Inflation (up to Dec'25 excluding Gold & Silver)	2.9%



### Employment Overview

Labour Force Participation Rate (December 2025)	56.1%
Unemployment Rate (December 2025)	4.8%

### Trade Balance, Income, Expenditure & Investments

Trade Deficit	USD 94.7 Bn
Services Export Growth (April – December 2025)	6.5%
Merchandise Export Growth (April – December 2025)	2.4%
Gross FDI Inflows Growth (April – November 2025)	16%
H1 FY26 Private Sector Consumption Growth	7.5%

### Sectoral Contribution

H1 FY26 Services Share of Nominal GDP	53.6%
H1 FY26 Manufacturing Share of Nominal GDP	13%
H1 FY26 Agriculture Share of Nominal GDP	13.2%
H1 FY26 Manufacturing Growth Rate	8.4%
H1 FY26 Services Growth Rate	9.3

### ECONOMIC GROWTH

The Economic Survey marks a clear shift from consumption support to strengthening supply-side capabilities as domestic demand remains resilient. The focus is on boosting competitiveness and productivity to support medium-to-long-term growth. This reflects a deliberate effort to build resilient domestic capabilities amid elevated global uncertainties and to meet the potential international demand that will be unleashed once new FTAs are implemented.

Scaling up manufacturing in seven strategic and frontier sectors:

- **Biopharma:** Biopharma SHAKTI with an outlay of INR10,000 crores over the next five years.
- **Semiconductors:** Semiconductor Mission 2.0 to expand India's capability in the semiconductor sector.
- **Electronics components:** Increase outlay to INR40,000 crore for Electronics Components Manufacturing Scheme.
- **Rare earth minerals:** Dedicated rare earth corridors to promote mining, processing, research and manufacturing. A black background with a black square
- **Capital goods:** Scheme for construction equipment and containers.
- **Textile:** Self-reliance in natural fibres along with the Textile Expansion and Employment Scheme and a National Handloom and Handicraft Programme.

Enhanced focus on diversified infrastructure such as urbanisation (focusing on tier 2/3 cities), energy (to support the growth of the data centres) and targeted investments in dedicated freight corridors, high-speed rail connectors, national waterways, improvement in



ports and logistics-linked manufacturing are expected to lower logistics costs and boost competitiveness.

### FISCAL POLICY

The government estimates the fiscal deficit to be 4.3 percent of GDP in FY27, while it meets the targeted deficit estimates of FY26 of 4.4 percent of GDP. The government now aims to bring down debt to 50 percent of GDP by 2031. This gives global investors a great deal of confidence that it has control over its expenses and is aiming for higher-quality expenditure.

Capital expenditure is estimated to grow by 11.5 percent to INR12.2 trillion in 2026–27; focus on infrastructure, crowd-in private participation through a risk guarantee fund and diversifying spending.

### PRICES

Inflation management remains a central pillar of macroeconomic stability in the Economic Survey 2026. Headline consumer price inflation has moderated over the past year, aided by easing food prices, calibrated monetary policy actions, and improved supply-side management. With inflation increasingly aligning closer to the medium-term target, the inflation outlook for FY27 appears stable, barring unforeseen global commodity shocks or climate-related disruptions.

### EMPLOYMENT

Employment conditions have improved steadily, supported by post-pandemic recovery, rising formalisation, and policy-led incentives for job creation. The expansion of digital platforms, manufacturing-linked employment schemes, infrastructure spending, and MSME support has contributed to labour

absorption across sectors.

Labour reforms continue to play a critical role in balancing flexibility with worker protection. Simplified compliance frameworks expanded social security coverage, and increased focus on skilling and re-skilling are strengthening labour market outcomes. Greater female workforce participation is being encouraged through policy support, workplace safety provisions, and access to childcare facilities, improving both inclusivity and productivity.

The emphasis on entrepreneurship, start-ups, and gig economy regulation is fostering a more adaptive labour ecosystem. As private investment strengthens and capacity utilisation improves, employment generation is expected to remain a key driver of inclusive growth during this financial year.

### INDUSTRY

India's industrial sector is navigating a challenging global environment marked by trade fragmentation and protectionist tendencies. While manufacturing growth has moderated in certain segments due to external demand constraints, domestic-oriented industries have remained resilient. Priority sectors such as pharmaceuticals, chemicals, electronics, automobiles, steel, and capital goods continue to attract investment.

The Economic Survey reinforces the importance of deregulation, ease of doing business, and technology adoption to enhance industrial competitiveness. Continued emphasis on production-linked incentives, MSME support, and logistics efficiency aims to reduce import dependence and improve scale and productivity.



State-level reforms remain critical, as regulatory efficiency and infrastructure availability significantly influence industrial outcomes. A coordinated push across central and state governments, industry, skilling institutions, and financial intermediaries will be essential to achieving India's manufacturing ambitions in a constrained global environment.

### SERVICES

The services sector remains the primary engine of India's economic growth, driven by technology adoption, digitalisation, and expanding global service exports. Financial services, IT, professional services, logistics, and communication services continue to account for a significant share of value addition and employment.

At the same time, regulatory scrutiny in global markets and evolving data governance norms pose challenges for export-oriented services. Addressing concerns related to quality standards, supervision, data security, and compliance will be critical to sustaining growth in offshore services.

Domestically, the increasing integration of services into manufacturing and agriculture—through digital platforms, logistics, design, finance, and after-sales services—highlights the growing “servicification” of the economy. Investments in digital public infrastructure and AI capabilities are expected to further deepen productivity gains across sectors.

### INVESTMENT AND INFRASTRUCTURE

Public investment remains a cornerstone of the Economic Survey's growth strategy. Capital

expenditure continues to be prioritised to crowd in private investment, enhance productive capacity, and improve long-term growth prospects. Infrastructure development across transport, logistics, energy, urban systems, and digital networks remains central to fiscal planning.

Sustainability considerations are increasingly embedded in infrastructure development, with a focus on renewable energy, climate-resilient assets, and resource-efficient construction. However, given fiscal constraints, greater private sector participation is essential to meeting long-term infrastructure needs.

The economy continues to support diverse public-private partnership models, alongside asset monetisation and project pipeline frameworks. Strengthening project design, risk allocation, dispute resolution, and contract management will be critical to unlocking private capital and ensuring timely project execution.

### CONCLUSION

The 2026 Economic Survey reflects a calibrated policy approach that balances growth imperatives with fiscal discipline in an uncertain global environment. India's macroeconomic fundamentals remain strong, supported by stable inflation, resilient external balances, sustained public investment, and structural reforms across key sectors.

While global risks persist, from geopolitical tensions to trade fragmentation and climate-related challenges, India's emphasis on infrastructure, manufacturing competitiveness, services exports, financial sector deepening, and workforce skilling positions the

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# ECONOMIC OUTLOOK

Current State of Indian Economy

economy for sustained medium-term growth.

Achieving the vision of a developed India will require continued focus on deregulation, innovation, quality enhancement, and cooperative federalism. With prudent policymaking and coordinated public-private efforts, India remains well-placed to convert its growth potential into durable and inclusive economic progress.



The Fiscal Deficit (FD) represents the gap between total expenditure and total receipts (excluding borrowings and other debt liabilities), reflecting the government's borrowing requirement. Revenue Deficit occurs when revenue expenditure exceeds revenue receipts, while Effective Revenue Deficit accounts for Revenue Deficit minus Grants-in-Aid for Capital Asset Creation. Primary Deficit is calculated as Fiscal Deficit minus interest payments. Additionally, Effective Capital Expenditure (EffCapex) combines Capital Expenditure and Grants-in-Aid for Capital Asset Creation, indicating the actual investment in infrastructure and growth-oriented projects.

For FY 2025-26, the Revised Estimates (RE) project total expenditure at  $\approx$  ₹49.6 lakh crore (₹49,60,000 crore approx.), compared to lower levels in prior years. The capital expenditure in RE 2025-26 is about ₹11 lakh crore, reflecting sustained infrastructure push.

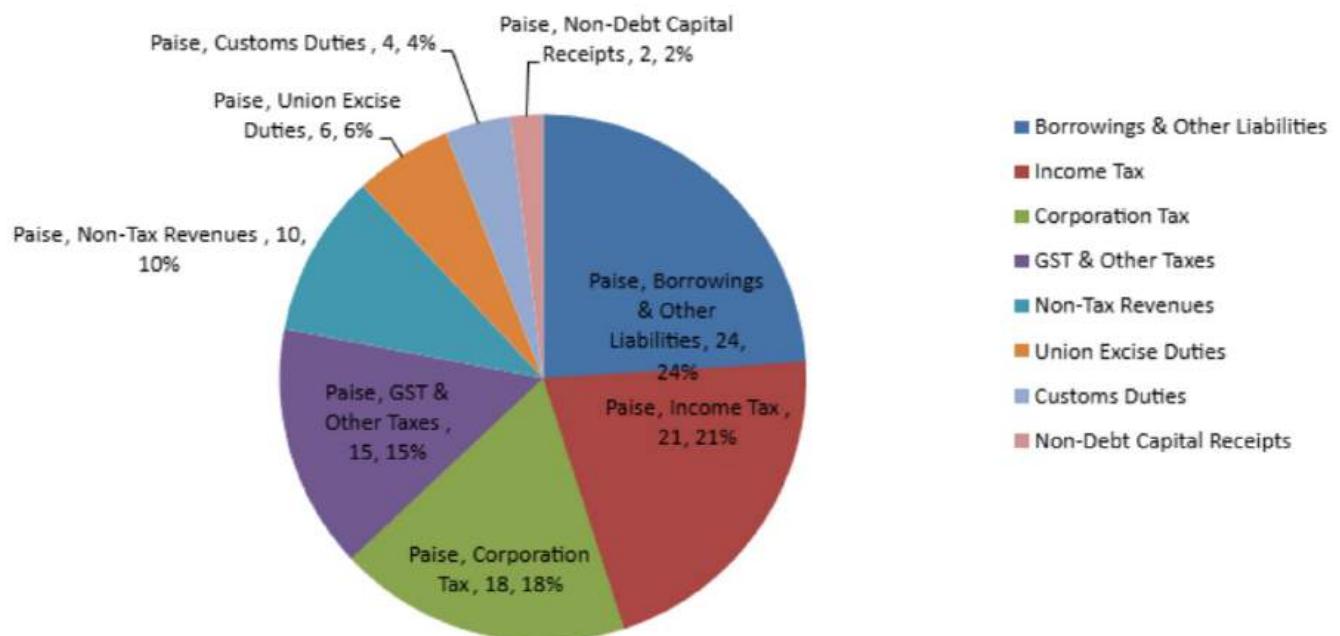


In the Budget Estimates (BE) for FY 2026-27, total expenditure is projected to rise to ₹53,47,315 crore (₹53.47 lakh crore), with capital expenditure at ₹12,21,821 crore (or broadly ₹12.2 lakh crore as highlighted) and effective capital expenditure reaching ₹17.1 lakh crore (including grants for capital creation). This increase underscores the government's continued commitment to infrastructure development, economic expansion, and capital formation, with public capex growing by  $\approx$ 11.5% over FY 2025-26 RE. The total resources transferred to States, including State share of taxes, grants (e.g., Finance Commission grants  $\approx$  ₹1.4 lakh crore), loans, and centrally sponsored schemes, are projected at around ₹25.43 lakh crore in BE 2026-27 (based on consistent reporting across sources). This marks a further increase over FY 2025-26 levels, reinforcing fiscal federalism and ensuring greater financial support for state-level development initiatives.

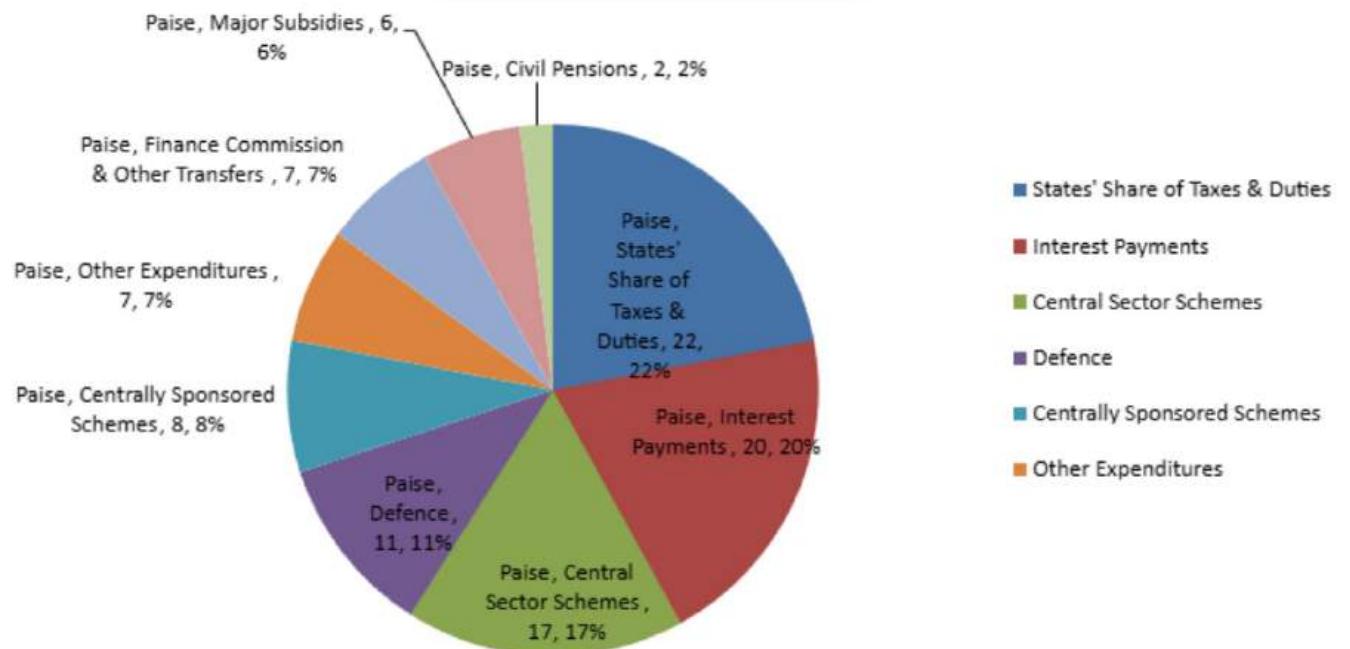
These fiscal trends indicate strong capital investment priorities, a focus on infrastructure growth (with public capex at  $\approx$ 3.1% of GDP), and enhanced resource allocation to states, all while maintaining fiscal discipline. The fiscal deficit is targeted at 4.3% of GDP (down from 4.4% in FY 2025-26 RE), with the debt-to-GDP ratio easing to 55.6%, aligning with the glide path toward debt consolidation (targeting 50%  $\pm$ 1% by 2030-31).

The emphasis on quality of expenditure where effective capex exceeds the fiscal deficit—highlights improved fiscal health, reduced reliance on borrowing for revenue spending, and sustained momentum for multiplier-led growth.

### Where the Rupee Comes From (Total Receipts)



### Where the Rupee Goes (Total Expenditure)



## Budget at a Glance

S.NO	Particulars	2024-2025 Actuals	2025-2026 Budget Estimates	2025-2026 Revised Estimates	2026-2027 Budget Estimates
1	Revenue Receipts	3,036,619.00	3,420,409.00	3,342,323.00	3,533,150.00
2	Tax Revenue (Net to Centre)	2,500,039.00	2,837,409.00	2,674,661.00	2,866,922.00
3	Non-Tax Revenue	536,580.00	583,000.00	667,662.00	666,228.00
4	Capital Receipts	1,616,249.00	1,644,936.00	1,622,519.00	1,814,165.00
5	Recovery of Loans	24,617.00	29,000.00	30,190.00	38,397.00
6	Other Receipts	17,202.00	47,000.00	33,837.00	80,000.00
7	Borrowings and Other Liabilities	1,574,431.00	1,568,936.00	1,558,492.00	1,695,768.00
8	Total Receipts (1+4)	4,652,867.00	5,065,345.00	4,964,842.00	5,347,315.00
9	Total Expenditure (10+13)	4,652,867.00	5,065,345.00	4,964,842.00	5,347,315.00
10	On Revenue Account of which	3,600,914.00	3,944,255.00	3,869,087.00	4,125,494.00
11	Interest Payments	1,115,575.00	1,276,338.00	1,274,338.00	1,403,972.00
12	Grants in Aid for creation of Capital Assets	272,656.00	427,192.00	308,151.00	492,702.00
13	On Capital Account	1,051,953.00	1,121,090.00	1,095,755.00	1,221,821.00
14	Effective Capital Expendi- ture (12+13)	1,324,609.00	1,548,282.00	1,403,906.00	1,714,523.00
15	Revenue Deficit (10-1)	564,296.00 (1.70)	523,846.00 (1.50)	526,764.00 (1.50)	592,344.00 (1.50)
16	Effective Revenue Deficit (15-12)	291,640.00 (0.90)	96,654.00 (0.30)	218,613.00 (0.60)	99,642.00 (0.30)
17	Fiscal Deficit [9-(1+5+6)]	1,574,431.00 (4.80)	1,568,936.00 (4.40)	1,558,492.00 (4.40)	1,695,768.00 (4.30)

\*All figures in crores

# DIRECT TAX PROPOSALS

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Introduces tax reforms, increased exemptions, IFSC incentives, TDS/TCS changes, startup benefits, and stricter compliance measures.



## TAX RATES

There is no change in the tax rates proposed in the Finance Bill 2026.

### A. Ease of Living

1. Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
36	Other deductions	29	Deductions related to employee welfare

Section 29 of the Income tax Act, 2025 provides for deductions related to employee welfare. As per Section 29(1)(e)(i) of Income Tax Act, 2025 provides for deduction of any amount of contribution received by the assessee being an employer, from an employee to which the provisions of section 2(49)(o) apply, if such amount is credited by the assessee to the account of the employee in the relevant fund or funds (Provident Fund/ESI) by the due date.

For the purposes of said clause, “due date” means the date by which the assessee is required as an employer to credit employee contribution to the account of an employee in the relevant fund under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise.

**It is proposed to amend section 29(1)(e) to provide that the due date for the said clause shall be the due date of filing of return of income under section 263(1) of the Act.**

*(These amendments will be effective from tax year 2026-27).*



## 2. Exemption of Interest on Motor Accident Compensation and Removal of TDS

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
10	Income not included in Total Income	11	Income not included in Total Income
194A	Interest other than “Interest on securities”.	393(4)	Tax deduction at source

The Motor Vehicles Act, 1988 provides for payment of compensation, along with interest, to an individual or their legal heirs in cases of death, permanent disability, or bodily injury arising out of motor vehicle accidents, as awarded by the Motor Accident Claims Tribunal (MACT).

Recognising that such compensation is intended to mitigate severe financial and emotional hardship faced by accident victims and their families, the Government has proposed significant relief measures under the Income-tax Act.

It is proposed to amend Section 11 of the Income-tax Act to provide that any income in the nature of interest received by an individual or their legal heir on compensation awarded under the Motor Vehicles Act, 1988 shall be fully exempt from tax. This ensures that the compensatory interest awarded by tribunals reaches the beneficiaries in full, without any tax incidence. Further, under the existing provisions of section 393(4), tax is presently not required to be deducted at source on such interest only where the amount or aggregate of such interest does not exceed ₹50,000 in a tax year. In order to further alleviate hardship and remove procedural difficulties faced by accident victims, it is proposed that no tax shall be deducted at source on any amount of interest awarded on compensation by the Motor Accident Claims Tribunal to an individual, without any monetary threshold.

### Effective Dates

- **Exemption of interest income: Applicable from Tax Year 2026-27**
- **Removal of TDS on such interest: Applicable from 1 April 2026**



These measures reinforce the welfare-oriented intent of motor accident compensation laws by ensuring timely and complete financial relief to victims and their families, while also reducing compliance and refund-related challenges.

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

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
197	Certificate for deduction at lower rate	395	Certificates

Section 395 of the Act pertains to issuance of certificates for deduction of tax at source (TDS) and tax collection at source (TCS) at nil or lower rate.

Section 395(1) provides for issuance of certificate for deduction of tax at source at Nil or lower rates. As per the present provisions, the payee has to make an application before the Assessing Officer. Subsequent to the application, if the Assessing Officer is satisfied after due verification that the total income of the recipient justifies deduction of income-tax at any lower rates or no deduction of income-tax, he shall issue a certificate for lower or nil deduction of tax at source.

It is proposed to ease the compliance burden of small taxpayers by providing an option to the payee, to file the application for issuance of certificate for lower or nil deduction of income-tax electronically before the prescribed income-tax authority, which may issue the certificate subject to fulfilment of conditions as may be prescribed, or reject the application if prescribed conditions are not fulfilled or the application is incomplete.

*(These amendments will be effective from April 01, 2026).*



**4. Relaxation from requirement to obtain tax deduction and collection account number (TAN) by a resident individual or HUF, where the seller of the immovable property is a non -resident.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
200	Duty of person deducting tax	397	Compliance & Reporting

Currently, if a person buys an immovable property from a resident seller, the person is not required to obtain TAN to deduct tax at source. However, where seller of the immovable property is a non-resident, the buyer is required to obtain TAN to deduct tax at source. This creates unnecessary compliance burden for the buyer, as he would need TAN for a single transaction.

In order to reduce compliance burden for the resident individual and Hindu undivided family, it is proposed to amend section 397(1)(c) of the Act to provide that resident individual or Hindu undivided family, is not required to obtain TAN to deduct tax at source in respect of any consideration on transfer of any immovable property under section 393(2).

*(These amendments will be effective from October 1st, 2026).*

**5. Enabling filing of declaration for no deduction to a depository**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
197A	No deduction to be made in certain cases	393(6)	Tax deduction at source

Section 393(6) of the Act provides that tax is not to be deducted at source in certain cases. As per the provisions of the said section, a written declaration is to be filed by the assessee for no deduction of tax at source to the



person responsible for paying any income or sum of the nature as specified in section 393(6). The said income includes dividends, interest from securities, and income from units of mutual funds.

Investors earning income from multiple units and securities face a cumbersome process, needing to submit separate forms to all entities thus leading to enhanced compliance. In order to reduce compliance burden of such investors, it is proposed to allow quarterly filing of the declaration to the depository which in turn shall provide such declaration to the person responsible for paying such income.

*(These amendments will be effective from April 1st, 2027).*

## 6. Application of TDS on supply of manpower

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
194C	Payment to contractors	393(1)-(6i)	Payment to contractors

Under section 393(1) of the Income-tax Act, tax is required to be deducted at source (TDS) on certain payments at prescribed rates:

- Payments to contractors for carrying out work attract TDS at 1% where the payee is an individual or HUF and 2% in other cases.
- Payments towards professional or technical services are subject to TDS at 2% in specified cases (such as technical services, royalty for cinematographic films, or call centre operations) and 10% in other cases.
- In certain situations, individuals and HUFs are also required to deduct TDS at 2% on payments made by way of commission, brokerage, or professional services, where not covered under the above provisions.



At present, there has been ambiguity regarding the applicable TDS rate on payments for supply of manpower, particularly whether such payments should be treated as:

- Payments to contractors for carrying out work, or
- Fees for professional or technical services.

To remove this ambiguity, it is proposed to specifically include “supply of manpower” within the definition of “work” under section 402(47). Consequently, payments for supply of manpower will attract TDS as applicable to contractor payments, i.e., under section 393(1) relating to work contracts.

*(These amendments will be effective from April 1st, 2026).*

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

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
40	Amount not deductible	35	Amount not deductible in certain circumstances

Part B of Schedule XIV of the Act governs the computation of profits and gains from insurance business other than life insurance. Under paragraph 4(1)(a) of Schedule XIV, any expenditure or allowance debited to the profit and loss account but disallowed under the general provisions of the Act, including those contained in sections 28 to 54, is required to be added back while computing taxable profits.

Further, section 35(b)(i) and section 35(b)(ii) of the Act provide that any expenditure, interest or other sum on which tax is deductible at source, but where such tax has not been deducted or, after deduction, has not been paid within the due date specified under section 263(1), shall not be allowed as a deduction in the year of accrual. However, the said provisions also allow that the amount so disallowed shall be allowed as a deduction in the tax year in which the tax is subsequently deducted and paid in accordance with law.



Further, section 35(b)(i) and section 35(b)(ii) of the Act provide that any expenditure, interest or other sum on which tax is deductible at source, but where such tax has not been deducted or, after deduction, has not been paid within the due date specified under section 263(1), shall not be allowed as a deduction in the year of accrual. However, the said provisions also allow that the amount so disallowed shall be allowed as a deduction in the tax year in which the tax is subsequently deducted and paid in accordance with law.

While paragraph 4(2) of Schedule XIV provides that any amount payable under section 37 of the Act, which has been added back under paragraph 4(1)(a), shall be allowed as a deduction in the tax year in which such amount is actually paid, no similar enabling provision existed for amounts disallowed under section 35(b)(i) and section 35(b)(ii). As a result, in the case of non-life insurance business, expenditure disallowed due to non-compliance with tax deduction at source provisions could not be clearly allowed in a subsequent year even after the required tax was deducted and paid.

To remove this anomaly and to align the taxation of non-life insurance business with the general provisions of the Act, it is proposed to amend Schedule XIV to provide that any amount disallowed under section 35(b)(i) or section 35(b)(ii) and added back under paragraph 4(1)(a) shall be allowed as a deduction in the tax year in which the applicable tax is subsequently deducted and paid.

*(These amendments will be effective from tax year 2026-27).*

## 8. Exemption of income on compulsory acquisition of any land under the RFCTLARR Act.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
10(37)	Capital gain on Compulsory acquisition of urban agricultural land	Sch. III(18)	Any income chargeable under the head Capital gains arising from the transfer of agricultural land



Section 11 read with Schedule III of the Act presently provides exemption to certain eligible persons from tax on their total income. Schedule III, *inter alia*, grants exemption to an individual or a Hindu undivided family in respect of income chargeable under the head “capital gains” arising from transfer of agricultural land, subject to prescribed conditions.

Separately, section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCLARR Act) provides that no income-tax shall be levied on any award or agreement made under the said Act, except awards or agreements covered under section 46 of that Act. To address interpretational issues, the CBDT had clarified through Circular No. 36/2016 that compensation received pursuant to an award or agreement exempt under section 96 of the RFCLARR Act would not be taxable under the Income-tax Act, 1961, even though the Act did not contain a specific exemption provision.

In order to remove any remaining ambiguity and to statutorily align the Income-tax law with the RFCLARR Act, it is now proposed to amend Schedule III to expressly provide exemption in respect of any income arising from an award or agreement made on account of compulsory acquisition of any land under the RFCLARR Act, other than those made under section 46 of the said Act. The exemption will apply to acquisitions carried out on or after 1 April 2026.

*(These amendments will be effective from tax year 2026-27).*

## 9. Exemption for Disability Pension to armed force personnel

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. Such pension generally consists of two components, namely the service element and the disability element. Exemption of disability pension has historically existed since the Indian Income-tax Act, 1922, and has continued under the Income-tax Act, 1961 by virtue of the repeal and savings provisions, supported by notifications, administrative instructions and clarificatory circulars issued from time to time.

To remove ambiguity and provide statutory clarity, it is now proposed to expressly provide that exemption



of disability pension, including both the service element and the disability element, shall be available only in cases where the individual has been invalidated out of service due to a bodily disability attributable to or aggravated by service conditions. The exemption will not be available where the individual has retired on superannuation or otherwise and continues to receive pension. It is further proposed that this exemption shall also be extended to paramilitary personnel, placing them on par with members of the Armed Forces for this purpose

*(These amendments will be effective from tax year 2026-27).*

#### 10. Rationalising due dates for filing of return of Income.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
139	Return of Income	263	Return of Income

Section 263 of the Income Tax Act, 2025 (“the Act”) makes the provisions for filing of Income Tax Return by taxpayers. The said section deals with the comprehensive framework that lays down class of persons who are required to file a return, the due dates, and the different types of returns that may be furnished. It covers the original return, belated return, revised return and the updated return.

**The following amendments are proposed for the ITR filing for the respective assessee as tabulated below :**

S. No.	Particulars	Due Date
1	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse). – (In case, transfer pricing provisions are applicable)	30th November
2	Company	



S. No.	Particulars	Due Date
3	Assessee (other than Company) whose accounts are required to be audited under this Act or under any other law in force	
4	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).	31st October
5	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	31st August
6	Any Other Assessee	31st July

A similar rationalisation has also been carried out in the Income-tax Act, 1961 to maintain consistency between the two legislations.

Accordingly, Explanation 2 to section 139(1) of the Income-tax Act, 1961 is proposed to be amended to extend the due date for filing return of income in non-audit business cases and trusts not requiring audit, in line with the revised timelines under the Income-tax Act, 2025.

The amendments proposed under the Income-tax Act, 2025 shall come into force from 1 April 2026 and shall apply from tax year 2026-27 onwards.

The corresponding amendments proposed under the Income-tax Act, 1961 shall come into force from 1 March 2026 and shall apply for assessment year 2026-27, relevant to previous year 2025-26.



## 11. Extending the period of filing revised return.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
139(5)	Return of Income	263(5)	Return of Income

Section 263(5) of the Act provides for the revised return of income. It allows a person who has already furnished a return under section 263(1) and (4) to file a revised return, if any omission or wrong statement is discovered in the original or belated return. Such revised return required to be furnished within nine months from the end of the relevant tax year or before completion of assessment, whichever is earlier.

In this regard, it is proposed to amend section 263(5) of the Act so as to increase the prescribed time limit for filing the revised return from its existing time limit of nine months to twelve months from the end of the relevant tax year. Further, a fee is also proposed under section 428(b), for revised returns which are filed beyond nine months from the end of relevant tax year.

Further, section 263 corresponds to section 139 of the Income-tax Act, 1961. Therefore, similar amendments are also proposed in section 139(5) of the Income-tax Act, 1961. Further, a fee is also proposed under section 234I.

It is proposed that these amendments shall come into force from the 1st day of March 2026 in Income-tax Act 1961 and shall be applicable for Assessment year 2026-27 (previous year 2025-26).

## 12. Scope of filing of updated return in the case of reduction of losses

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
139(8A)	Return of Income	263(6)	Return of Income



Section 263 of the Income-tax Act, 2025 provides the framework for filing returns of income, including original, belated, revised and updated returns. Under section 263(6), a taxpayer is permitted to file an updated return within 48 months from the end of the financial year succeeding the relevant tax year, subject to specified conditions. An updated return cannot be a return of loss, cannot reduce tax liability or increase a refund, and can be filed only on payment of additional income-tax. Further, filing of an updated return is not permitted where assessment, reassessment, search, survey or prosecution proceedings are pending or completed.

While section 263(6)(b) allows filing of an updated return where an originally filed return of loss is later converted into a return of income, section 263(6)(c)(i) restricted filing of an updated return where the updated return itself continued to be a return of loss. This resulted in a limitation where taxpayers were unable to file an updated return even in cases where they merely wished to reduce the amount of loss originally claimed, despite such reduction not resulting in any loss to the revenue.

Based on representations received from stakeholders, it is now proposed to amend section 263(6) to allow filing of an updated return in cases where the taxpayer reduces the amount of loss, as compared to the loss declared in a return of loss originally furnished within the due date under section 263(1). This amendment enables voluntary correction of excessive loss claims while maintaining the principle that updated returns should not be used to increase losses or claim additional refunds.

The amendment under the Income-tax Act, 2025 shall come into force from 1 April 2026 and shall apply from tax year 2026-27 onwards.

To ensure consistency between the two legislations, a corresponding amendment is also proposed in the Income-tax Act, 1961, aligned with the above change.

**The amendment to the Income-tax Act, 1961 shall come into force from 1 March 2026 and shall apply for assessment year 2026-27 and subsequent years.**



### 13. Allowing the filing of updated return after issuance of notice of reassessment

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
139	Return of Income	263	Return of Income
148	Issue of Notice where Income has escaped assessment	280	Issue of Notice where Income has escaped assessment
140B	Tax on Updated return	267	Tax on Updated return
270A	Penalty for underreporting or misreporting of income	439	Penalty for underreporting or misreporting of income

Section 263(6) of the Act deals with the updated return of Income. It allows a taxpayer, regardless of whether the original return is filed, to file an updated return within 48 months from the end of the financial year succeeding the relevant tax year.

Furthermore, Section 263(6)(c)(v) of the Act prohibits the filing of updated return in such cases where any proceedings for assessment or reassessment or recomputation or revision of income is pending or has been completed for the said tax year. Accordingly, filing of update return was not allowed in such cases where proceedings of reassessment has been initiated.

It is proposed to amend section 263 of the Act, so that an updated return may be furnished by a person for the relevant tax year in pursuance of a reassessment notice under section 280 within such period as specified in the said notice and in such a case assessee shall be precluded from filing return of income in pursuance of notice under section 280 in any other manner. It is further proposed to amend the section 267 of the Act so as to prescribe that where an updated return is filed in pursuance of a notice issued under section 280 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of 10 % of the aggregate of tax and interest payable on account of furnishing the updated return.



It is further proposed that where additional income-tax is paid as per proposed additional income-tax, the income on which such additional income-tax is paid shall not form the basis of imposition of penalty under section 439.

*(These amendments will be effective from April 1st, 2026 (Income Tax Act, 2025) and from March 1st, 2026 (Income Tax Act, 1961)).*

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

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers. At the time of its introduction, a one-time compliance window was provided from 1 July 2015 to 30 September 2015 to enable voluntary declaration of undisclosed foreign assets acquired up to 31 March 2015, subject to payment of tax and penalty.

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 such as ESOPs or RSUs, dormant or low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, and assets held by individuals on overseas deputation. Further, information received under the Automatic Exchange of Information framework indicates non-disclosure of foreign financial assets by a significant number of PAN holders.

In order to facilitate voluntary compliance and enable resolution of such legacy cases of small taxpayers, it is proposed to introduce a time-bound scheme for declaration of foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition and grant of limited immunity from penalty and prosecution under the Black Money Act in respect of matters covered by the declaration. Cases involving prosecution or proceeds of crime are proposed to be excluded.

The proposed scheme shall form part of the Finance Bill, 2026 and shall come into force from the date to be notified by the Central Government.



## Rationalising Penalty And Prosecution

### 15. Relaxation of conditions for prosecution under the Black Money Act

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 [the Black Money Act] provides for penal and prosecution measures in cases of wilful non-disclosure of foreign income and assets by residents. Sections 49 and 50 of the Black Money Act, prescribe prosecution, including rigorous imprisonment and fine, where a resident wilfully fails to furnish a return of income or wilfully omits to disclose foreign assets or income in the return of income.

In order to provide relief in cases of minor and inadvertent non-disclosures and to align the prosecution provisions with the penalty framework under the Black Money Act, it is proposed to amend sections 49 and 50 to provide that these provisions shall not apply in respect of foreign assets, other than immovable property, where the aggregate value does not exceed twenty lakh rupees.

*(These amendments will be retrospectively effective from October 1st, 2024).*

### 16. Rationalization of prosecution proceedings

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
275A-278A	Penalty and Prosecutions	473-485	Penalty and Prosecutions

Rationalisation of prosecution provisions has been proposed under Chapter XXII of the Income-tax Act, 2025, which presently contains a wide set of offences attracting criminal liability with imprisonment ranging from three months up to seven years for matters such as contravention during search, non-cooperation in search, removal or concealment of property to defeat recovery, failure to deposit TDS/TCS, wilful attempt to evade tax, failure to furnish return, false statements and falsification of books, abetment of false return, and certain disclosures by public servants. These offences are primarily contained in sections 473 to 485, along with section 494, and the



the proposal seeks to recalibrate punishments to make them more proportionate and consistent with the broader decriminalisation approach reflected in recent years.

The proposal amends sections 473 to 485 and section 494 to (i) replace “rigorous imprisonment” with “simple imprisonment” wherever prescribed, (ii) reduce the maximum imprisonment exposure in most cases to two years (and reduce the ceiling for subsequent offences compared to the earlier seven-year framework), (iii) introduce a clearer three-tier monetary grading linked to the quantum of tax involved, generally prescribing simple imprisonment up to two years (with or without fine) where the amount exceeds ₹50 lakh, simple imprisonment up to six months (with or without fine) where the amount exceeds ₹10 lakh but does not exceed ₹50 lakh, and only fine where the amount does not exceed ₹10 lakh, (iv) expand the role of fine either in lieu of or in addition to imprisonment, and (v) fully decriminalise certain specified offences.

Within the amended structure, the search-related offences are softened by converting the punishment in section 473 (contravention of orders during search under section 247) from rigorous imprisonment up to two years plus fine to simple imprisonment up to two years plus fine, and by reducing the severity in section 474 (failure to provide facility for inspection during search) to simple imprisonment up to six months and/or fine. Recovery-related offences under section

475 (removal, concealment, transfer or delivery of property to prevent recovery) are similarly converted from rigorous imprisonment up to two years plus fine to simple imprisonment up to two years plus fine.

For TDS/TCS defaults, section 476 (failure to credit TDS to the Central Government) is rationalised with two significant shifts. First, offences relating to TDS on winnings from lottery/crossword puzzle etc. and TDS on benefits or perquisites are proposed to be fully decriminalised. Second, for TDS related to winnings from online games and consideration for transfer of virtual digital assets, cases wholly in kind are proposed to be kept outside criminal prosecution, and in other cases the punishments are moved to the new graded model based on the tax amount, with fine-only where the amount does not exceed ₹10 lakh. Section 477 (failure to credit TCS) moves from the earlier seven-year rigorous imprisonment regime to the same graded framework.

For core evasion and compliance offences, section 478 (wilful attempt to evade tax, penalty, interest and under-reporting-related evasion) is shifted to the graded framework.



Section 479 (failure to furnish return generally) and section 480 (failure to furnish return in search cases) are also moved to the graded framework, thereby significantly reducing criminal exposure for lower-value defaults and reserving incarceration primarily for higher quantum cases. Procedural non-compliance under section 481 is partly decriminalised: failure to produce documents in response to notice under section 268(1) is proposed to be fully decriminalised, while failure to comply with directions under section 268(5) is retained but reduced to simple imprisonment up to six months or fine or both. False statement and falsification offences under sections 482, 483 and 484 are rationalised by bringing them within the revised structure (with section 483 specifically moving from rigorous imprisonment to simple imprisonment up to two years with fine). Section 485 dealing with second and subsequent offences is reduced from a seven-year rigorous imprisonment regime to simple imprisonment with the maximum proposed to extend to three years along with fine. Section 494 relating to disclosure of particulars by public servants is also softened by reducing the punishment to simple imprisonment up to one month or fine or both.

In addition to the punishment changes, the proposal also seeks to improve statutory readability by aligning headings: section 473 is proposed to be titled “Contravention of order made during search action”, section 474 “Failure to afford facility for inspection of books of account during search”, and section 478 “Failure to comply with a direction of special audit or valuation”. Parallel amendments are proposed in the Income-tax Act, 1961 for the corresponding prosecution provisions in sections 275A to 278A and section 280 to maintain alignment between the two legislations. The amendments to sections 473 to 485 and section 494 under the Income-tax Act, 2025 are proposed to take effect from 1 April 2026, while the corresponding amendments to sections 275A to 278A and section 280 of the Income-tax Act, 1961 are proposed to take effect from 1 March 2026, as reflected in clauses 17 to 25 and clauses 93 to 105 of the relevant legislative proposals.

## 17. Rationalizing the period of block in case of other persons

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
158BD	Undisclosed Income of any other person	295	Undisclosed Income of any other person



Section 295 of the Act, provides, inter-alia, that where Assessing officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person (herein after referred to as the 'other person'), other than the person (herein after referred to as the 'specified person') with respect to whom search was initiated under section 247 or requisition was made under section 248.

In the existing provisions of Block assessment, the block period is same for the specified person or other person. In this regard, it has been considered that where undisclosed income pertaining to a third person relates only to a single tax year, the third person is nonetheless required to undergo the full block assessment procedure, resulting in an increased compliance burden on a person against whom no search or requisition was initiated.

Accordingly, it is proposed to amend the section 295(2) of the Act so as to limit the period of block in case of third party. This amendment will take effect from the 1st day of April, 2026, for search or requisition is initiated or made as the case maybe, on or after 1st day of April, 2026.

#### 18. Referencing the time limit to complete block assessment to the initiation of search or requisition

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
158BE	Time limit for completion of block assessment	296	Time limit for completion of block assessment

Section 296 of the Act, provides for time limit for completing a block assessment. An assessment or reassessment order under Section 294 (procedure for block assessment) must be completed within 12 months from the end of the quarter in which the last search authorization was executed or requisition was made.

It is proposed to amend the section 296 of the Act so as to take the date of initiation of search as the reference point to decide the date of limitation for block assessment where any search has been initiated or requisition is made in the case of any person and consequently, the period of twelve months is proposed to be to eighteen months to complete such assessment in case of such person. This amendment will take effect from the 1st day of April, 2026, for search o requisition is initiated or made as the case maybe, on or after 1st day of April, 2026.



## 19. Rationalisation of Penalties into Fee

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
271B	Failure to get accounts audited	446	Failure to get accounts audited
234F	Fee for default in furnishing ROI	428	Fee for default in furnishing ROI
92E	Report from accountant for International transactions and SDT	172	Report from accountant for International transactions and SDT
271BA	Penalty for failure to furnish SFT	454	Penalty for failure to furnish SFT

It is considered that penalties for technical delays should be converted into mandatory fee as fee reduces litigation for technical faults.

- Penalty under section 446 for failure to get accounts audited is converted to a fee under proposed section of 428(c). Accordingly, Graded fee of INR 75,000 and 1,50,000 is proposed depending upon the period of delay. It is pertinent to mention that this penalty under section 446 has been omitted but the same section has been replaced by the penalty for failure to furnish information or for furnishing inaccurate information on transactions of crypto asset.
- Penalty under section 447 for failure to furnish report under section 172 is converted to a fee under section 428(4). Graded fee of INR 50,000 and 1,00,000 is provided depending upon the period of delay.
- Penalty under section 454(1) for failure to furnish statement of financial transaction or reportable account is converted to a fee under section 427(3). Further, an upper limit of INR 1,00,000/- is also proposed to be made in existing penalty under section 454(2) of the Act.

*(These amendments will be effective from tax year 2026-27).*



## 20. Imposition of penalty for under-reporting or misreporting of income within Assessment Order

Under the existing provisions of the Income-tax Act, first an assessment order is passed and based on the findings or additions made in it and subject to the status of appellate proceedings, penalty is initiated in the assessment order by the Assessing Officer. Subsequently, separate penalty proceedings are initiated by giving a show cause notice and a separate penalty order is passed after giving due opportunity to the assessee.

It is considered that the current scheme leads to multiplicity of proceedings, as eventually penalty has to be imposed based on the findings of the assessment order and additions made in it and subject to the status of appellate proceedings. Further, taxpayer remains in uncertainty regarding the status of imposition of penalty as the appellate proceedings may stretch to multiple years. In this context, a common order for both assessment and penalty for under-reporting and misreporting of income will ensure avoiding multiplicity of proceedings which in turn would reduce the compliance of the tax payers apart from providing consistency in levying of penalty.

Accordingly, it is proposed to amend section 274 of Income Tax Act, 1961, to provide that, penalty for under reporting of income under levied under section 270A of Income Tax Act, 1961 to be imposed within the assessment Order. Further, section 220 of Income Tax Act, 1961 is also proposed to be amended for charging of interest under section 220(2) of Income Tax Act, 1961 only after passing of the order by CIT(A) or ITAT (for appeal against DRP orders ), as case maybe. Consequential amendment is also proposed in section 245MA of Income Tax Act, 1961.

The proposed amendments shall come into force in the Income-tax Act, 2025 from 1st day of April, 2026 and shall be effective from 1st day of April, 2027, where any draft of the proposed order of assessment under section 275 is made or assessment under section 270 or reassessment under section 279 is made on or after 1st of April, 2027. Similar amendments are also proposed in Income-tax Act, 1961 in section 274, 220, 234MA. It is further proposed that these proposed amendments shall come into force in the Income-tax Act, 1961 from the 1st day of March, 2026 and shall be effective from 1st day of April, 2027, where any draft of the proposed order of assessment under section 144C is made or assessment under section 143 or reassessment under section 147 is made on or after 1st of April, 2027.



## 21. Increase in maximum amount of penalty in section 466 of the Act.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
272AA	Penalty for failure to comply with 133B	466	Penalty for failure to comply with 254

Section 466 of the Act provides for a penalty if any person fails to comply with the provision of section 254, i.e. power to collect information, and does not furnish the requisite information to the authorized income-tax authorities. The section further gives power to Joint Commissioner, Deputy Director or Assistant Director or the Assessing officer to impose maximum penalty amounting to INR 1000.

It is proposed to amend the section 466 of the Act so as to enhance the maximum amount of penalty to INR 25,000 from existing INR 1,000.

*(These amendments will be effective from tax year 2026-27).*

## 22. Expanding the scope of immunity from penalty or prosecution under section 440 of the Act –

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
270AA	Immunity from imposition of Penalty	440	Immunity from imposition of Penalty

Section 440 of the Act, provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, if assessee fulfils the following conditions, namely: –

- The tax and interest payable as per Assessment order, has been paid within the period specified in notice of demand;
- no appeal against the such assessment order has been filed.



Presently, immunity under section 270AA can only be granted in the cases of under reporting of income and not in the case of under-reporting of income in consequence of misreporting.

It is proposed to amend the section 270AA of Income Tax Act, 1961 of the Act so as to extend the scope of immunity to such cases where penalty is initiated for under-reporting of income in consequence of misreporting

*(These amendments will be effective from AY 2026-27).*

### 23. Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
270AA	Immunity from imposition of Penalty	440	Immunity from imposition of Penalty

Section 270AA of the Income Tax Act, 1961, provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, if assessee fulfils the following conditions, namely: –

- The tax and interest payable as per Assessment order, has been paid within the period specified in notice of demand;
- no appeal against the such assessment order has been filed.

Presently, immunity under section 270AA can only be granted in the cases of under reporting of income and not in the case of under-reporting of income in consequence of misreporting.

It is proposed to amend the section 270AA of Income Tax Act, 1961 of the Act so as to extend the scope of immunity to such cases where penalty is initiated for under-reporting of income in consequence of misreporting

*(These amendments will be effective from AY 2026-27)*



## 24. Deductions in respect of dividends received and distributed by certain cooperative societies

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
80P	Deduction in respect of income of Co-operative Societies	149	Deduction in respect of income of Co-operative Societies

The provisions of section 149(2)(d) of the Act provide for deduction on the income of a cooperative society that is received as interest or dividend from any other co-operative society. This deduction is allowed only in the old tax regime. The dividends received by a cooperative society from a company are taxed in the hands of the cooperative society. It is proposed to allow deduction on dividends received by cooperative societies from other cooperative societies, to the extent such dividends are distributed to its members, in the new tax regime.

It is also proposed to allow deduction for dividends received by notified federal cooperatives from companies for 3 years, i.e. till tax year 2028-29 under both the old and new tax regimes. This deduction is proposed to be allowed only to the dividends arising out of investments made by the federal cooperative till 31.01.2026 and which are further distributed by it to its members.

*(These amendments will be effective from tax year 2026-27).*

## 25. Widening scope of deduction under section 149 by including ancillary activities of cattle feed and cotton seeds.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
80P	Deduction in respect of income of Co-operative Societies	149	Deduction in respect of income of Co-operative Societies



The existing provisions under section 149(2)(b) of the Act provide for deduction of whole of the amount of profits and gains of business in the 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 the Government or a local authority; or to a Government company or a corporation engaged in the same business.

There are similar activities such as supplying of cattle feed and cotton seeds which are also undertaken by the members of the primary co-operative society. It is proposed that the profits and gains of business from these activities shall be allowed as a deduction within the ambit of section 149(2)(b) of the Act.

*(These amendments will be effective from tax year 2026-27).*

**26. Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society'.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
2(19)	Definition of Co-operative Societies	2(32)	Definition of Co-operative Societies

A 'co-operative society' is defined as a co-operative society registered under the Co operative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies under the existing provisions of section 2(32) of the Act. It is proposed to include the Co-operative societies which are registered under the "Multi-State Cooperative Societies Act, 2002," within the definition of co-operative society under the Act.

*(These amendments will be effective from tax year 2026-27).*



## SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE – TRANSFER PRICING

### 27. Amendment of section 169 of the Income-tax Act, 2025 relating to providing effect to advance pricing agreements.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
92CD	Effect of advance pricing agreement	169	Effect of advance pricing agreement

The existing provisions of section 168(1) allow filing of a modified return of income only by the person who has entered into advance pricing agreement (APA) with the Board. The provisions do not allow for modifying the return of income or filing of return of income by the associated enterprise whose income and tax liability is correspondingly modified consequent to the APA. Hence, there is no provision in the existing law to enable such Associated Enterprise (who is not the person entering into an APA) for filing of return of income and claiming refund of any additional taxes paid by it or withheld from its income.

In order to rationalise the aforesaid provision, it is proposed to provide that where an income is modified as a result of advance pricing agreement entered into with any person then, such person shall, or any other person being an associated enterprise, may, furnish a return or a modified return, as the case may be, in accordance with and limited to the agreement; within a period of three months from the end of the month in which the said agreement was entered into, in respect of tax years covered by such agreement, where such agreement is entered on or after 1st April, 2026, in respect of tax year beginning from 1st April, 2026 and subsequent tax years.

*(These amendments will be effective from tax year 2026-27).*





## ATTRACTING GLOBAL BUSINESS AND INVESTMENT

### 28. Exemption to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
10	Income not included in total Income	11	Income not included in total Income

The existing provisions of section 11 read with Schedule IV of the Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons. In order to attract investment in data centre and promote artificial intelligence data centre framework in India, it is proposed to amend the Schedule IV to provide exemption to a foreign company, on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre, for a period upto tax year ending on 31st March, 2047.

*(These amendments will be effective from tax year 2026-27).*

### 29. Allowing expenditure on prospecting of critical minerals as deduction.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
35E	Deduction for expenditure on prospecting etc. for certain minerals	51	Amortisation for expenditure on prospecting for certain minerals

Section 51 of the Act provides for tax deductibility of expenses incurred by an Indian company or resident taxpayers (other than companies) engaged in any operations relating to prospecting or extraction or production of the minerals mentioned in Part A and Part B of the Schedule XII of the Act. This section allows deduction, on deferred basis (over a span of 10 years from the year of commercial production of any specified mineral), in



respect of expenses incurred wholly and exclusively on operations relating to prospecting or on the development of mine or other natural deposit of specified minerals incurred at any time during the year of commercial production and any one or more of the four years immediately preceding the year of commercial production.

In order to incentivize the prospecting and exploration of the critical minerals, it is proposed to expand the list of minerals in Schedule XII of the Act, thereby making expenditure on prospecting and exploring of such critical minerals also eligible for deduction as per the provision of section 51 of the Act.

*(These amendments will be effective from tax year 2026-27).*

**30. Exemption to a foreign company on income arising on account of providing capital equipment etc. to an electronic goods manufacturer located in a custom bonded area.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
10	Income not included in total Income	11	Income not included in total Income

The existing provisions of section 11 read with Schedule IV of the Income-tax Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.

In order to promote manufacturing of electronic goods by a contract manufacturer and provide certainty on taxation of supply of capital equipment by a foreign company to such manufacturer, it is proposed to amend the Schedule IV to provide exemption to a foreign company for a period upto the tax year 2030-2031, on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India, who is located in a custom bonded area (warehouse referred to in section 65 of the Customs Act, 1962) and produces electronic goods on behalf of such foreign company for a consideration.

*(These amendments will be effective from tax year 2026-27).*



**31. Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of Minimum Alternate Tax.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
61	Special provision for computation of income on presumptive basis in respect of certain business activities of non-residents	44B-44BBD	Special provision for computation of income on presumptive basis in respect of certain business activities of non-residents

Certain foreign companies are excluded from the application of Minimum Alternate Tax (MAT) under the present provisions. The income of non-residents derived from certain business who opt for presumptive rate of taxation under section 61 of the Act are also excluded. However, certain other businesses who have opted for presumptive taxation under section 61 have not been so excluded.

In order to ensure similar treatment among all the different specified businesses of non-residents opting for presumptive taxation, it is proposed that two other specified businesses (business of operation of cruise ships and the business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company) shall also be excluded from the applicability of MAT.

*(These amendments will be effective from tax year 2026-27).*



## 32. Exemption to non-residents for rendering services under a notified Scheme in India

The existing provisions of section 11 read with Schedule IV of the Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.

In order to provide tax certainty to a non-resident individual visiting India for rendering certain services in connection with any notified Scheme of the Central Government, it is proposed to amend the said Schedule to provide exemption to an individual, being a non-resident for a period of five consecutive tax years immediately preceding the tax year during which he visits India for the first time for rendering services, on any income which accrues or arises outside India, and is not deemed to accrue or arise in India, for five consecutive tax years commencing from the first tax year during which he visits India, if such person renders any service in India in connection with any Scheme as may be notified by the Central Government and fulfils such other conditions as may be prescribed.

*(These amendments will be effective from tax year 2026-27).*

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

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
80LA	Deduction in respect of certain incomes of Offshore Banking Units and International Financial Services Centre	44B-44BBD	Deduction for income of Offshore Banking Units and International Financial Services Centre

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

To increase the competitiveness of IFSC, it is proposed to increase the period of deduction to 20 consecutive



years out of 25 years for units in IFSC and 20 consecutive years for OBUs. It is also proposed that the business income of these units from IFSC after the expiry of period of deduction will be taxed at rate of 15%.

*(These amendments will be effective from tax year 2026-27).*

## RATIONALISATION OF CORPORATE TAX REGIME

### 34. Rationalization of Minimum Alternate Tax provisions

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
115JB	Special Provision for payment of tax by certain Companies	206	Special provision for minimum alternate tax and alternate minimum tax.

The existing provisions under section 206 of the Income-tax Act, 2025 (the Act) provide for Minimum Alternate Tax (MAT) which is applicable for companies. This tax is charged on the Book profit of the assessee at the rate of 15% for corporates (other than units located in an International Financial Services Centre). In case the MAT is higher than the income-tax payable on the company's total income computed under normal tax provisions, the assessee pays MAT.

It is proposed that the tax paid under provisions of MAT be made as final tax in the old regime and no new MAT credit may be allowed. However, the tax rate of MAT has been reduced to 14% of book profit from the existing 15%. Further, set-off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25% of the tax liability. In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

*(These amendments will be effective from tax year 2026-27).*



## RATIONALISATION OF OTHER DIRECT TAX PROVISIONS

### 35. Rationalisation of TCS rates

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
206C	Profit and gains from the business of trading in alcoholic liquor, forest produce, scrap etc.	394	Collection of tax at source

The following rates are proposed in the finance bill related to the TCS

S. No.	Nature of receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption.	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of scrap	1%	2%
4	Sale of minerals, being coal or lignite or iron ore	1%	2%
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding INR 10 Lakhs	5% (for medical and education treatment)	2% (for medical and education treatment)
6	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	5% of amount or aggregate of amounts up to INR 10 Lakhs 20% of amount or aggregate of amounts exceeding INR 10 Lakhs.	2%

*(These amendments will be effective from April 1st, 2026).*



**36. Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
148 & 148A	Procedure related to Re-assessment Proceedings	280 & 281	Procedure related to Re-assessment Proceedings

It is proposed to clarify in the Income-tax Act, 1961 that notwithstanding anything contained in any judgment, order or decree of court, the Assessing Officer for the purposes of section 148 and section 148A shall mean and shall always be deemed to have meant Assessing Officer other than the National Faceless Assessment Centre or any of its assessment units. Suitable amendment is also carried out in the Income-tax Act, 2025 so that correct interpretation is taken and litigation is minimized and certainty is achieved.

*(These amendments will be effective retrospectively from April 1st, 2021 for Income Tax Act, 1961 and effective from April 1st, 2026 for Income Tax Act, 2025).*

**37. 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 computer generated DIN in any manner.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
292B	Return of income etc., not be invalid on certain grounds	522	Return of income etc., not be invalid on certain grounds

It is proposed to clarify in section 292B that notwithstanding anything contained in any judgment, order or decree of court, no assessment in pursuance of any of the provisions of Income-tax Act, 1961 shall be invalid or shall be deemed to have been invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated Document Identification Number, if such assessment order are referenced by such number in any manner.



Further, this amendment seeks to clarify as long as there is a reference of DIN in the assessment order, the same would be sufficient compliance even if there may be some minor mistakes, defects or omissions in notices or summons in relation to such assessment. Suitable amendments are also proposed to be carried out in the Income-tax Act, 2025 so that correct interpretation is taken, litigation is minimized and certainty is achieved.

*(These amendments will be effective retrospectively from April 1st, 2021 for Income Tax Act, 1961 and effective from April 1st, 2026 for Income Tax Act, 2025).*

### 38. Clarifying time-limit for completion of assessment under section 144C.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
144C	Reference to dispute resolution panel	275	Reference to dispute resolution panel

Section 144C of the Income-tax Act provides for a special procedure where assessment is made in cases where the eligible assessee is a person in whose case variations arise on account of order of a transfer pricing officer or where the person is a non-resident. As per this section, the Assessing Officer is required to forward a draft of the proposed order of assessment (draft order) to the eligible assessee

Section 153 provides for time limit for completion of assessment, reassessment and recomputation. Section 153B provide time limit for completion of assessment in search cases.

It is proposed to clarify in section 153 and section 153B that time lines in these sections govern the draft order stage and the timelines provided in section 144C operate for finalization of assessments, notwithstanding the time limit provided in section 153 and section 153B.

*(These amendments will be effective retrospectively from April 1st, 2009 for Income Tax Act, 1961 and effective from April 1st, 2026 for Income Tax Act, 2025).*



### 39. Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
92CA	Reference to Transfer Pricing Officer	166	Reference to Transfer Pricing Officer

Section 92CA of the Income-tax Act, 1961 deals with the case where assessee, has entered into an international transaction or specified domestic transaction in any previous year, and the Assessing Officer (AO) may refer the computation of the arm's length price in relation to the said international transaction or specified domestic transaction under section 92C to the Transfer Pricing Officer (TPO).

Section 92CA(3A) states that TPO is required to pass an order before 60 days prior to the date on which period of limitation under section 153, or as the case may be, in section 153B for making the order of assessment or reassessment or recomputation or fresh assessment, as the case may be, expires.

It is proposed to be clarified in section 92CA(3A) as to how the period of sixty days is required to be computed. Suitable amendments are also proposed to be carried out in the Income-tax Act, 2025 so that correct interpretation is taken, litigation is minimized and certainty is achieved.

*(These amendments will be effective retrospectively from June 1st, 2007 for Income Tax Act, 1961 and effective from April 1st, 2026 for Income Tax Act, 2025).*

### 40. Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels.

Chapter XIII-G of the Act provides for special provisions relating to income of shipping companies. Vide Finance Act, 2025, benefit of tonnage tax scheme under the said Chapter was extended to Inland vessels registered under Inland Vessels Act, 2021 to promote the inland water transportation. Certain modifications are required in provisions of the said Chapter for aligning them with the Inland Vessels Act, 2021, and rules made thereunder



in order to give effect to Tonnage tax scheme extended to inland vessels.

*(These amendments will be effective from tax year 2026-27).*

**41. Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets.**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
285BAA	Obligation to furnish Information on transaction of crypto-asset	509	Obligation to furnish Information on transaction of crypto-asset

Section 509 of the Act provide for obligation to furnish information on transaction of crypto-asset. As per the said section, prescribed reporting entity has the obligation to furnish information in respect of transactions in a crypto asset in a statement.

To ensure compliance to the provisions of section 509 of the Act and create a deterrence for non-furnishing of such statement or for sharing inaccurate information in such statement, it is proposed to introduce penalty provision. Penalty of INR 200 per day for non furnishing of statement and INR 50,000 for furnishing inaccurate particulars and failure to correct such inaccuracy is proposed to be levied. Accordingly, it is proposed to amend section 446 of the Act to provide penalty provisions for non-furnishing of statement and for furnishing inaccurate information in the statement.

*(These amendments will be effective from April 1st, 2026).*

**42. Correction in provisions relating to Income from House Property and Permanent Account Number.**

Correction is proposed to be made in section 21(5) of the Income-tax Act, 2025 to align with the corresponding provision of Income-tax Act, 1961 so as to provide that annual value of property held as stock-in-trade to be



taken as nil upto two year from the end of the financial year in which certificate of completion of construction is obtained from the competent authority.

Section 22 of the Act deals with deductions in the case of income from house property. Further, section 22(2) provides that, the aggregate amount of deduction in the case of self-occupied property shall not exceed Rs. 2 lakh where property is acquired or constructed with borrowed capital. However, this ceiling of Rs. 2 lakhs has not included the deduction of prior-period interest payable for the acquisition or construction of property.

It is pertinent to mention that section 22 of the Act corresponds to section 24 of the Income-tax Act, 1961. In the Income-tax Act, 1961, aggregate amount of deduction for the interest on the borrowed capital was inclusive of prior period interest payable.

In this regard, it is proposed to amend section 22(2) of the Act so as to provide that aggregate amount of deduction for interest on borrowed capital shall be inclusive of prior period interest payable.

Section 262(10)(c) provides that Central Board of Direct Taxes (CBDT) may make rules for categories of documents pertaining to business or profession in which Permanent Account Number shall be quoted by every person. However, the said section 262(10)(c) does not specify the power of the CBDT to make rules for quoting of Permanent Account Number (PAN) in such documents which does not relate to business or profession.

It is pertinent to mention that section 262(10)(c) of the Act corresponds to section 139A(5)(c) of the Income-tax Act, 1961 which provides that every person shall quote such number in all documents pertaining to such transactions as may be prescribed by the Board in the interest of revenue. In this regard, it is proposed to amend section 262(10)(c) to enable Central Board of Direct Taxes (CBDT) to make rules for quoting of Permanent Account Number in documents related to such transactions which do not relate to business or profession.

*(These amendments will be effective from April 1st, 2026).*

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



Section 536(2)(h) of the Act provides that where any deduction has been allowed or any amount has not been included in the total income under the repealed Income-tax Act, 1961, subject to fulfilment of certain conditions, then on violations of such conditions, such amount will be deemed to be income in the tax year in which violation takes place.

it is proposed that where any sum has been allowed as deduction or has not been included in the total income under the repealed Income-tax Act, 1961, such sum will be deemed to be income under Income-tax Act, 2025, even without violations of any conditions, if it was to be included in the total income under the provisions of Income-tax Act, 1961 had it not been repealed

*(These amendments will be effective from tax year 2026-27).*

#### 44. Amendment in the provision relating to merger of non-profit organisations (NPOs)

Existing provisions of section 352(4) [Table: Sl. No. 8.B] inter alia provides that the specified person shall be liable to pay the tax on accrued income where it has merged with any other entity other than a registered non-profit organisation having the same or similar objects. However, the said provision does not capture the situation where a registered non profit organisation has merged with any other registered non-profit organisation having same or similar objects as was provided under section 12AC of the Income-tax Act, 1961.

In order to provide for the provisions similar to section 12AC of the Income-tax Act, 1961 it is proposed to insert a new Section 354A in the Income-tax Act to provide that where any registered nonprofit organisation has merged with any other registered nonprofit organisation, the provisions of section 352 shall not apply if

- the other registered non-profit organisation has same or similar objects; and
- the said merger fulfils such conditions as may be prescribed

Further, in order to align the existing provisions with the provisions of Income-tax Act, 1961 it is proposed to amend said serial number 8 of Table below section 352(4) so as to provide that the specified person shall be liable to pay the tax on accrued income where it has merged with, any other



- a. entity other than a registered non-profit organisation;
- b. registered non-profit organisation having objects same or similar to it but the said merger does not fulfil such conditions, as may be prescribed; or
- c. registered non-profit organisation that does not have same or similar objects

*(These amendments will be effective from tax year 2026-27).*

#### 45. Amendment in the provisions relating to the violations by a registered NPO

Existing provisions of section 351 inter alia specifies activities which constitute 'specified violation' by a registered non-profit organisation, and it includes violation on account of commercial activities by registered non-profit organisation carrying out advancement of any other object of general public utility. Such violation is also included in the 'other violation' under section 353. As inclusion of such violation under section 351 as 'specified violation' may lead to cancellation of registration, which was not the intent under the Income-tax Act, 1961, it is proposed to remove the reference of such violation from section 351 of the Income-tax Act so as to align it with the Income-tax Act, 1961.

*(These amendments will be effective from tax year 2026-27).*

#### 46. Non-allowability of Interest as a deduction against Dividend Income.

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
57	Deductions	93	Deductions

Dividend income and income from units of mutual funds constitute passive investment receipts taxable under the head "Income from other sources" under the Income tax Act, 2025. Section 93 of the Act provides for allowing certain deductions against such income, i.e interest expenditure incurred for earning such income, subject to a ceiling of twenty per cent of the gross dividend or income from units of mutual funds.



It is proposed to amend section 93(2) to provide that no deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds.

*(These amendments will be effective from tax year 2025-26).*

#### 47. Rationalisation of Schedule XI relating to Provident Funds

The provisions relating to recognised provident funds contained in Schedule XI to the Act carry forward certain legacy concepts that need alignment with the framework under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees' Provident Fund Scheme, 1952. In view of the evolution of the provident fund regulatory regime and the introduction of an absolute monetary cap on employer contributions under section 17(1)(h) of the Act, it is proposed to rationalise and align the income-tax provisions governing recognised provident funds with the prevailing EPF framework.

The proposed amendments will be effective from tax year 2026-27.

#### 48. Exemption for Sovereign Gold Bond

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
47	Transactions not regarded as Transfer	70	Transactions not regarded as Transfer

The provisions of section 70(1)(x) of the Act provide an exemption from capital gains tax in respect of income arising from redemption of Sovereign Gold Bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015. Sovereign Gold Bonds have been issued by the Reserve Bank of India on a recurring basis through multiple series notified from time to time, each constituting a separate issuance.

In order to ensure uniform application of the exemption across all such issuances and to align the provision with its intended scope, it is proposed to amend section 70(1)(x) to provide that the exemption shall be available



be available only where the Sovereign Gold Bond is subscribed to by a subscriber at the time of original issue and is held continuously until redemption on maturity, for all Sovereign Gold Bonds issued by the Reserve Bank of India from time to time.

*(These amendments will be effective from tax year 2026-27).*

#### 49. Taxation of buyback of shares

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
2(22)(f)	Deemed Dividend	2(40)(f)	Deemed Dividend
46A	Capital Gains on purchase by Company of its own shares or other specified securities	69	Capital Gains on purchase by Company of its own shares or other specified securities

Under the existing provisions of the Income-tax Act, 2025, consideration received by a shareholder on buy-back of shares by a company is treated as dividend income under section 2(40)(f) of the Act and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is recognised separately as a capital loss under section 69.

#### Proposed Taxation of Share Buy-Backs (Effective from Tax Year 2026-27)

Particulars	Earlier Position	Proposed Position (from AY 2026-27)
Nature of income on buy-back	Treated as Dividend income	Treated as Capital Gains
Head of taxation	Income from Other Sources	Capital Gains
Tax incidence	Taxed in the hands of shareholder as dividend	Taxed in the hands of shareholder as capital gains



Special rule for promoters	No separate promoter-specific rate	Promoters – Effective tax rate of 30%
Promoter companies	Not specifically addressed	Effective tax rate of 22%
Applicability	Existing provisions	Applicable from Tax Year 2026-27 onwards

**50. No tax to deducted at source in respect of interest income credited or paid to any co operative society engaged in carrying on the business of banking (including a co operative land mortgage bank).**

Income Tax Act, 1961		Income Tax Act, 2025	
Section	Heading	Section	Heading
194A	TDS on Interest	393(4)	Tax to be deducted at source

Section 393(4) of the Act provides for the conditions where tax is not required to be deducted at source under corresponding provision of the Act.

In order to align the provisions of the Act with the Income-tax Act, 1961, section 393(4) [Table: Sl. No. 7, Column C (a)(i)] is proposed to be amended to provide that deduction of tax at source shall not be made on interest income (other than interest on securities) credited or paid to any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank)

*(These amendments will be effective from April 01st, 2026).*

**51. Increase in Securities Transaction Tax (STT) Rates – Effective 1 April 2026**

Type of Transaction	Basis of Levy	Existing STT Rate	Revised STT Rate (from 1 April 2026)
Sale of option in securities	Option premium	0.10%	0.15%
Sale of option in securities (on exercise)	Intrinsic value	0.125%	0.05%



Type of Transaction	Basis of Levy	Existing STT Rate	Revised STT Rate (from 1 April 2026)
Sale of futures in securities	Traded price	0.02%	0.05%

## Key Points -

1. STT is collected on securities transactions carried out through recognised stock exchanges.
2. The increase mainly impacts derivatives trading (options and futures).
3. The objective is to discourage excessive speculation in the derivatives market.
4. The revised rates will apply to all eligible transactions entered into on or after 1 April 2026.

# INDIRECT TAX CHANGES

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Introduces key GST and customs amendments, including ITC distribution, compliance enhancements, tax rate adjustments, and duty exemptions.





### Indirect Tax

Indirect Tax analysis consists of analysis of Goods and Service tax & Customs.

### Goods and Service Tax Amendments

#### Amendment in Post Supply Discount

##### Section 15(3)(b)

*Substitution in Section 15(3)(b) of Central Goods and Services Tax Act 2017, the new clause shall be as follows:*

***"(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34***

##### Analysis

As per the proposal, requirement of an agreement or linking of invoices should not be required to establish a post-sale discount. Credit note issued by the supplier and corresponding input tax credit reversal by the recipient, shall be supported by a valid document to establish the post- sale discount accordance with the provision of Section 34 of CGST Act 2017.

#### Amendment of Section 34

Provision of Section 34 shall be amended by inserting a new word under Sub-section (1) Section 34 of CGST Act 2017,  
the word “or where a discount referred in clause (b) of

sub-section (3) of Section 15 is given shall be inserted.

The amended provisions shall be as follows:

*(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient.*

*(2) where goods or services or both supplied are found to be deficient.*

*(3) where a discount referred to in clause (b) of sub-section (3) of section 15 is given the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.*

##### Analysis

Section 34 of CGST Act 2017 has been proposed to be amended to give effect to Section 15(3)(b) of CGST Act and to include the post -sale discount for the purpose of issuing credit notes.

#### Refund of Tax

#### Section 54



(a) in sub-section (6), after the words “supply of goods or services or both” the words “or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)” shall be inserted.

(b) in sub-section (14) in sub-section (14), after the words, brackets and figures “sub-section (5) or sub-section (6)”, the words “, other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax,” shall be inserted.

### Analysis

After the proposed amendment in sub-section (6) of Section 54, provisional refund up to 90% shall be available on account of zero-rated supplies as well as inverted duty supplies (IDS).

After the amendment in sub-section (14) of Section 54, refund of Rs. 1,000/- shall be claimed by the exporter who has exported goods out of India with payment of tax.

### Constitution of National Appellate Authority for Advance Ruling

#### Inserted sub-section (101A)

“(1A) Notwithstanding anything contained in sub-section (1), till the National Appellate Authority is constituted under that sub-section, the Government, may on the recommendations of the Council, by notification, empower any existing Authority constituted under any law for the time being in force to hear appeals made under section 101B and in such

case—

(a) the provisions of sub-sections (2) to (13) shall not apply; and

(b) any reference to the National Appellate Authority under this Chapter shall be construed as a reference to such Authority

**Explanation.**— For the purposes of this sub-section, the expression “existing Authority” shall include a Tribunal

### Analysis

This proposal of amendment will come into effect from 1st April 2026. As per the new inserted sub-section till the government constitutes National Appellate Authority of Advance Ruling (NAAAR) any existing authority including tribunal constitute under any law to hear appeal made under Section 101B of CGST Act 2017.

### Amendment of Section 13 of IGST Act

#### Omitted Intermediary Services

*In section 13 of the Integrated Goods and Services Tax Act, 2017, in sub-section (8), clause (b) shall be omitted.*

### Analysis

After the proposed omission of clause (b) of sub-section 13 (8), the place of supply shall be determined as per Section 13(2) of IGST Act 2017. The amendment takes place pursuant to the recommendation made by the GST Council on 56th GST Council Meeting.



### Amendments in Customs

- a. “Basic Customs Duty (BCD)” means the customs duty levied under the Customs Act, 1962.
- b. Agriculture Infrastructure and Development Cess (AIDC)” means a duty of customs that is levied under Section 124 of the Finance Act, 2021.
- c. “Social Welfare Surcharge (SWS)” means a duty of customs that is levied under Section 110 of the Finance Act, 2018.
- d. Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2026.
- e. Amendments carried out through the Finance Bill, 2026, will come into effect on the date of its enactment, unless otherwise specified.

#### I. AMENDMENT TO THE CUSTOMS ACT, 1962

**These changes will come into effect from the date of assent of the Finance Bill, 2026**

1. Sub-section (2) of section 1 of the Customs Act, 1962 is being amended to extend the jurisdiction of the said Act beyond the territorial waters of India, for the purpose of fishing and fishing related activities.
2. In section 2, a new clause is being inserted to define the expression ‘Indian-flagged fishing vessel’.
3. Sub-section (6) of section 28 is being amended so as to provide that the penalty paid under sub-section (5) of section 28, on determination under sub-section (6) thereof shall be deemed to be a charge for non-payment of duty.
4. Sub-section (2) of section 28J is being amended so as to provide that advance ruling under sub-section (1) of that section shall remain valid for a period of five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier. The proviso to the said sub-section is also being substituted so as to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity of the ruling for five years from the date of the ruling.
5. A new section 56A is being inserted to provide special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. It also provides that fish harvested beyond the territorial waters of India may be brought into India free of duty and to treat fish that has landed at foreign port as export of goods in such manner as may be provided by rules. It also provides to make regulations to provide for the form and manner of making an entry in respect of fish harvested by an Indian-flagged fishing vessel including its declaration, custody, examination, assessment of duty, clearance, transit or transshipment



6. In the Customs Act, for section 67, the following section shall be substituted, namely: - “67. The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed.”. The proposed section seeks to do away with the requirement of prior permission of the proper officer under the said section for removal of warehoused goods from one custom bonded warehouse to another.
7. In section 84 of the Customs Act, in clause (b), for the words “the examination”, the words “the custody, examination” shall be substituted. The amendment seeks to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under this section.

## II. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

- a. The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to carry out changes as under-

A.	Modification in Tariff rate (to be effective from 02.02.2026) * [Clause 136(a) of the Finance Bill, 2026] <i>*Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023</i>				Rate of Basic Customs Duty	
	S. No.	Heading, sub-heading, tariff item	Commodity		From (per cent)	To (per cent)
<b>MSME sector</b>						
1.	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)		20%	20%	Rs. 60 per piece, whichever is higher
2.	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602		10%	10%	Rs. 25 per kg., whichever is higher
B.	Decrease in Tariff rate (to be effective from 01.04.2026) [Clause 136(b) of the Finance Bill, 2026]				Rate of Basic Customs Duty	



1.	9804	All dutiable goods, imported for personal use	20%	10%
2.	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher
C.	<p><b>Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] *</b>  <b>[Clause 136(c) of the Finance Bill, 2026]</b></p> <p><b>*Note:</b></p> <ol style="list-style-type: none"> <li>1. The current applied rate of Basic Customs Duty on these commodities operate through their respective exemption/concessional duty notification(s). Such corresponding entries would be omitted from the concerned notification(s) with effect from 01.05.2026, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged.</li> <li>2. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub-heading.</li> <li>3. The said changes are to be read with consequent amendments related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC).</li> </ol>			
<b>S. No.</b>	<b>Heading, sub-heading tariff item</b>	<b>Commodity</b>	<b>From</b>	<b>To</b>
(1)	(2)	(3)	(4)	(5)
1.	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2.	0306 36 60	Artemia	5%	Nil



(1)	(2)	(3)	(4)	(5)
3.	0511 91 40	Artemia cysts	5%	Nil
4.	0511 91 40	Almonds, in shell	Rs.42 per kg	Rs.35 per kg
5.	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs. 100 per kg
6.	0802 31 00	Walnuts, in shell	120%	100%
7.	1209 (other than those falling under sub headings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
8.	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9.	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10.	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11.	2309 90 31	Prawn and shrimps feed	15%	5%
12.	2504	Natural graphite	5%	2.5%
13.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of the Customs Tariff Act, 1975	5%	Nil
14.	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square shape	5%	Nil
15.	2530 90 91	Strontium sulphate (natural ore)	5%	2.5%



16.	2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17.	2709 00 10	Petroleum crude	5%	Re 1 per tonne
18.	2804 50 20	Tellurium	5%	Nil
19.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20.	2804 69 00	Silicon, other	5%	Nil
21.	2804 90 00	Selenium	5%	Nil
22.	2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23.	2809 20 10	Phosphoric Acid	7.5%	5%
24.	2811 22 00	Silicon dioxide	7.5%	2.5%
25.	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
26.	2822 00 10	Cobalt oxides	7.5%	Nil
27.	2822 00 20	Cobalt hydroxides	7.5%	Nil
28.	2822 00 30	Commercial cobalt oxides	7.5%	Nil
29.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30.	2825 3	Vanadium oxides and hydroxides	7.5%	Nil
31.	2825 60 10	Germanium oxides	7.5%	Nil
32.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
33.	2825 80 00	Antimony Oxides	7.5%	Nil
34.	2825 90 20	Cadmium oxide	7.5%	Nil



35.	2827 35 00	Chlorides of Nickel		Nil
36.	2827 39 30	Strontium chloride	7.5%	Nil
37.	2833 24 00	Sulphates of Nickel	7.5%	Nil
38.	2834 21 00	Nitrates of potassium	7.5%	Nil
39.	2836 91 00	Lithium carbonates	7.5%	Nil
40.	2836 92 00	Strontium carbonate	7.5%	Nil
41.	2910 20 00	Methyloxirane (propylene oxide)	7.5%	2.5%
42.	2918 15 30	Bismuth citrate	7.5%	Nil
43.	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%
44.	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
45.	3808 93 30	Gibberellic acid	10%	5%
46.	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
47.	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil
48.	5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
49.	7202 60 00	Ferro-nickel	2.5%	Nil



50.	7402 00 10	Blister copper	5%	Nil
51.	7802	Lead waste and scrap	5%	Nil
52.	7902	Zinc waste and scrap	5%	Nil
53.	8105 20 30	Cobalt powders	5%	Nil
54.	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%
55.	0306 19 00	Krill, frozen	0306 19 10	15%
56.	0802 99 00	Pecan Nuts	0802 99 10	30%
57.	0810 40 00	Cranberries, fresh	0810 40 10	10%
58.	0810 40 00	Blueberries, fresh	0810 40 20	10%
59.	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
60.	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%
61.	0813 40 90	Cranberries, dried	0813 40 30	10%
62.	0813 40 90	Blueberries, dried	0813 40 40	10%
63.	1207 99 90	Shea Nuts	1207 99 50	15%
64.	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
65.	2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
66.	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 (other than 2106 90 51)	50%



67.	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68.	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
69.	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70.	2841	Ammonium metavanadate	2841 90 10	2.5%
71.	29	Gibberellic acid	2932 20 40	5%
72.	29	Triethyl orthoformate	2915 90 96	5%
73.	29	Diethyl malonate	2917 19 22	5%
74.	29	DL-2 Aminobutanol	2922 19 30	5%
75.	29	Aceto butyrolactone	2932 20 50	5%
76.	29	Artemisinin	2932 99 30	5%
77.	29	Thymidine	2934 99 50	5%
78.	3302 10	Mixtures of odiferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
79.	4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10, 4106 31 10, 4106 91 10	Nil
80.	4702	Rayon grade wood pulp	4702 00 10	2.5%
81.	4823 90 90	All goods other than kites	4823 90 90	10%
82.	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%



83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%
84.	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%
85.	8507 90	Battery separators	8507 90 20	5%
86.	8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%
87.	8609 00 00	Refrigerated containers	8609 00 10	5%

b. In addition to the above, the First Schedule to the Customs Tariff Act, 1975 has also been amended to create new tariff items which will, inter-alia, help in better product identification; getting actual transaction data of precursor chemicals and help in their effective monitoring; facilitating, tracking exports and deciding policy measures for plant-based extract products. These changes will be effective from 1.05.2026, unless otherwise specified.

### III. AMENDMENT TO RULES UNDER CUSTOMS ACT, 1962

a. Baggage Rules, 2016 is being superseded by the Baggage Rules, 2026 to rationalize the baggage provisions and addressing passenger related concerns at airports and resolution of interpretational issues; provide clarity in temporarily carriage of goods brought in or taken out to avoid unnecessary detention of goods, and restructure Transfer of Residence benefits for Indian residents and foreign professionals based on duration of stay. These changes shall come into effect from midnight of 02.02.2026.

b. Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' is being created. This is being done by amending the existing Deferred Payment of Import Duty Rules, 2016.



## IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

Changes in Basic Customs Duty (to be effective from 02.02.2026)		Rates of Duty		
Sl. No.	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
1.	2612 20 00	Monazite [vide insertion of S. No. 84A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	2.5%	Nil
2.	2841 90 00	Sodium antimonate for use in manufacture of solar glass [vide insertion of S. No. 110A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil
3.	2815 20 00	Potassium hydroxide [vide omission of S.No. 21 in notification No. 36/2024-Customs dated 23.07.2024]	Nil	7.5%
4.	8401 30 00	All goods for generation of nuclear power [vide insertion of S.No. 227A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil
5.	8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power [vide insertion of S.No. 227B in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil
6.	8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00 [vide insertion of S.No. 278A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	As applicable	Nil

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

## V. OTHER CHANGES PROPOSED IN THE CUSTOM NOTIFICATIONS:

1. S. No. 69A of notification No. 25/2002 dated 1st March, 2002 is being modified to extend the BCD exemption currently available on capital goods for use in the manufacturing of Lithium-Ion Cells for batteries of Electrically Operated Vehicles, to cover batteries for stationary energy storage applications i.e. Battery Energy



Storage (BESS) also. This change is being made effective from 02.02.2026.

2. S. No. 334A is being introduced in TABLE I of notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines, provided that the goods are imported by Public Sector Units under the Ministry of Defense. This exemption is subject to following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules 2022). Further, the importer has to produce an end-use certificate from an officer not below the rank of Joint Secretary in the Ministry of Defense. This change is being made effective from 02.02.2026.
3. S. No. 335A is being introduced in TABLE I of notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to components or parts, including engines, of aircraft, for the manufacture of aircraft and parts thereof, provided that the importer adheres to the procedure set out in the IGCRS Rules 2022. This change is being made effective from 02.02.2026.
4. The exemption under S. No. 66 of TABLE II in notification No. 45/2025-Customs has been modified to cover goods required for setting up of specified Nuclear Power Project, irrespective of their capacity, as certified by an officer not below the rank of a Joint Secretary to the Government of India in the Department of Atomic Energy. Further, the validity of this exemption is being extended from 30.09.2027 to 30.09.2035. The eligibility of contracts covered under the scope of this exemption is also being extended to all contracts registered with the Customs Houses concerned on or before 30.09.2035. This change is being made effective from 02.02.2026.
5. The List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 17 new drugs/medicines for extending BCD exemption. This change is being made effective from 02.02.2026.
6. The List 22 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 7 rare diseases that are a part of National Policy for Rare Disease (NPRD), 2021 for extending custom duty exemption on drugs, medicines and food for special medical purposes, when imported for per-



imported for personal use. This change is being made effective from 02.02.2026

7. Notification No. 36/2024-Customs dated 23.07.2024 was issued to exempt 55 groups of critical minerals from Basic Customs Duty and Social Welfare Surcharge. As a simplification measure, 29 entries of this notification are being omitted with effect from 01.05.2026 by shifting the effective rates to the Tariff itself. Further, 22 redundant entries are being omitted from this notification with effect from 02.02.2026. In addition, the following three entries are being merged in notification No. 45/2025-Customs dated 24.10.2025, with effect from 02.02.2026. As a consequence, notification No. 36/2024-Customs is proposed to be rescinded with effect from 01.05.2026.

Sl. No.	S. No. of notification No. 36/2024- Customs	Description
1.	38	Salts of oxo metallic or per oxo metallic acids of Beryllium and Rhenium [vide insertion of S. No. 110B in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]
2.	39	Compounds, inorganic or organic of rare earth metals [vide insertion of S. No. 111A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]
3.	55	Unwrought; waste and scrap; powders of: — i. Gallium ii. Germanium iii. Indium iv. Niobium v. Vanadium [vide insertion of S.No. 226A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]

*Note: Effective BCD rates will remain the same.*

## VI. REVIEW OF CUSTOMS DUTY EXEMPTIONS

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

A comprehensive review has been undertaken in respect of 124 conditional exemptions/concessional duty



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

a. The details of exemptions/concessional rates being extended, with or without modifications, are as under:

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
<b>In TABLE I of notification No. 45/2025-Customs</b>			
1.	5	Meat and edible offal of ducks, frozen	31.03.2028
2.	14	Planting materials, namely, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses	31.03.2028
3.	58	Algal oil for manufacturing of aquatic feed	31.03.2028
4.	61	Lactose for use in the manufacture of homeopathic medicine	31.03.2028
5.	69	Specified goods used in the processing of sea-food	31.03.2028
6.	84	Gold ores and concentrates for use in the manufacture of gold	31.03.2028
7.	85	Specified bunker fuels for use in ships or vessels	31.03.2028
8.	98	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to 19th July, 2012	31.03.2028
9.	99	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to 19th July, 2012	31.03.2028
10	111	Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals	31.03.2028
11.	112	Pharmaceutical Reference Standard	31.03.2028
12.	114	Specified goods used for the manufacture of ELISA Kits	31.03.2028



13.	119	Anthraquinone or 2-Ethyl Anthraquinone, for use in manufacture of Hydrogen Peroxide	31.03.2028
14.	134	Specified goods for use in the manufacture of sheets or backsheets, which are used in the manufacture of solar photovoltaic cells or modules [The entry has been modified]	31.03.2028
15.	138	Specified goods for use in the manufacture of Brushless Direct Current (BLDC) motor	31.03.2028
16.	140	Tags, labels, stickers, belts etc. imported by bona fide exporters	31.03.2028
17.	141	Specified goods imported by bona fide exporters for use in the manufacture of handicraft items, for export	31.03.2028
18.	142	Specified goods imported by bona fide exporters for use in the manufacture of textile or leather garments, for export	31.03.2028
19.	143	Specified goods imported by bona fide exporters for use in the manufacture of leather or synthetic footwear, or other leather products, for export [The entry has been modified]	31.03.2028
20.	144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body	31.03.2028
21.	146	Capacitor grades polypropylene granules or resins for the manufacture of capacitor grade plastic film	31.03.2028
22.	148	Super absorbent polymer (SAP) imported for use in the manufacture of specified goods	31.03.2028
23.	150	Polytetramethylene ether glycol (PT MEG) for use in the manufacture of spandex yarn	31.03.2028
24.	155	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts	31.03.2028
25.	156	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts	31.03.2028
26.	160	Pulp of wood or of other fibrous cellulosic material for the manufacture of newsprint, paper and paperboard, adult diapers, and goods falling under heading 9619	31.03.2028
27.	162	All goods imported for use in manufacture of paper, paperboard, or newsprint	31.03.2028
28.	163	Specified goods used in the printing of newspapers	31.03.2028
29.	164	Lightweight coated paper weighing upto 70g/m <sup>2</sup> , imported by actual users for printing of magazines	31.03.2028



30.	173	Pile fabrics for the manufacture of toys	31.03.2028
31.	174	Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment	31.03.2028
32.	175	Graphite Felt for growing silicon ingots, and thin steel wire used in wire saw for slicing of silicon wafers	31.03.2028
33.	184	Simply Sawn Diamonds	31.03.2028
34.	185	Seeds for use in manufacturing of rough lab-grown diamonds	31.03.2028
35.	205	Ferrous Scrap	31.03.2028
36.	208	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO).	31.03.2028
37.	209	Specified goods for the manufacture of cold rolled grain-oriented steel	31.03.2028
38.	220	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators. [The entry is being merged with S.No. 230 in TABLE I of notification No. 45/2025-Customs dated 24.10.2025.]	31.03.2028
39.	222	Copper wire of refined copper or copper rod for manufacture of photovoltaic ribbon for solar photovoltaic cell or modules [The entry has been modified]	31.03.2028
40.	227	Dies for drawing metal, when imported after repairs from abroad, in exchange of similar worn-out dies exported out of India for repairs	31.03.2028
41.	228	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of offshore oil exploration or exploitation	31.03.2028
42.	229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations	31.03.2028
43.	230	Goods for manufacture or the maintenance of wind operated electricity generator components. [The entry has been modified after merger of entry S. No. 220 in TABLE I of notification No. 45/2025-Customs]	31.03.2028
44.	232	Parts of catalytic converters and goods for use in the manufacture of catalytic convertors or its parts	31.03.2028



45.	233	Platinum or Palladium for use in the manufacture of Noble Metal Compounds and Noble Metal Solutions	31.03.2028
46.	234	Ceria zirconia compounds for use in the manufacture of wash coat for catalytic converters	31.03.2028
47.	235	Cerium compounds for use in the manufacture of wash coat for catalytic converters	31.03.2028
48.	237	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display	31.03.2028
49.	238	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips	31.03.2028
50.	239	Specified goods for the manufacture of certain goods and their parts	31.03.2028
51.	246	Bushings made of Platinum and Rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	31.03.2028
52.	247	Parts and components for manufacture of tunnel boring machines	31.03.2028
53.	256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system	31.03.2028
54.	267	Ball screws for use in the manufacture of CNC Lathes	31.03.2028
55.	268	Linear Motion Guides for use in the manufacture of CNC Lathes	31.03.2028
56.	269	CNC Systems for use in manufacture of CNCL lathes	31.03.2028
57.	270	Certain goods for use in manufacture of plastic processing machineries	31.03.2028
58.	272	Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/scanner, Iris scanner, miniaturized POS card reader	31.03.2028
59.	273	All parts for use in the manufacture of LED lights or fixtures including LED Lamps	31.03.2028



60.	274	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps	31.03.2028
61.	277	Goods imported for being tested in specified test centers	31.03.2028
62.	280	Specified goods for use in the manufacturing of Microphones	31.03.2028
63.	292	<p>i. Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/ Network Video Recorder (NVR) falling under 8521 90 90, other than the following items, namely</p> <p>a. populated printed circuit boards;</p> <p>b. charger or power adapter;</p> <p>iii. Sub-parts for use in manufacture of items mentioned at (i) above</p> <p><i>Only clause (ii) is being continued while clause (i) is being allowed to lapse on the end-date of 31st March, 2026</i></p>	31.03.2028
64.	293	Parts, components and accessories for use in manufacture of reception apparatus for television	31.03.2028
65.	294	Parts, components and accessories for manufacture of CCTV Camera	31.03.2028
66.	295	Parts, components and accessories except Lithium-ion cell and PCBA for use in manufacture of Lithium-ion battery and battery pack	31.03.2028
67.	296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack	31.03.2028
68.	297	Open cell for use in the manufacture of LCD and LED TV panels	31.03.2028
69.	302	Specified goods for use in the manufacture of LCD and LED TV panels	31.03.2028
70.	306	Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens	31.03.2028
71.	314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells	31.03.2028



72.	319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV	31.03.2028
73.	320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	31.03.2028
74.	321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle	31.03.2028
75.	333	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)	31.03.2028
76.	334	Raw materials for manufacture of aircrafts and parts of aircrafts	31.03.2028
77.	335	Components or parts including engines, of aircraft for manufacture of air craft	31.03.2028
78.	336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft	31.03.2028
79.	337	Other Aircrafts	31.03.2028
80.	338	Components or parts, including engines, of aircraft	31.03.2028
81.	339	Satellites and payloads, ground equipment brought for testing and ground installations for satellite including its spares and consumables	31.03.2028
82.	340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads	31.03.2028
83.	341	All goods under heading 8802 (except CTH 8802 6000)	31.03.2028
84.	342	All goods under heading 8802 (except CTH 8802 60 00)	31.03.2028
85.	343	All goods under heading 8802 (except CTH 8802 6000)	31.03.2028
86	345	Parts (other than rubber tubes), of aircraft of heading 8802	31.03.2028
87	348	Parts (other than rubber tubes), of aircraft of heading 8802	31.03.2028



88.	350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods	31.03.2028
89.	355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up	31.03.2028
90.	375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve	31.03.2028
91.	376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases	31.03.2028
92.	377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof	31.03.2028
93.	382	Hospital Equipment for use in specified hospitals	31.03.2028
94.	386	Raw materials, parts or accessories for the manufacture of Cochlear Implants	31.03.2028
95.	387	X-Ray Baggage Inspection Systems and parts thereof	31.03.2028
96.	388	C Portable X-ray machine / system	31.03.2028
97.	392	Parts and cases of braille watches, for the manufacture of Braille watches	31.03.2028
98.	396	Parts of electronic toys for manufacture of electronic toys	31.03.2028
99.	415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio- gas (Bio-CNG) using non-conventional materials	31.03.2028
100.	440	All items of machinery, and auxiliary equipment for setting up of fuel cell-based system for generation of power or for demonstration purposes or balance of systems operating on biogas or bio-methane or by-product hydrogen	31.03.2028



### In TABLE II of notification No. 45/2025-Customs

101.	1	Security fibre, security threads, Paper Based Taggart, including M-feature, for use in the manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore	31.03.2028
102.	2	Raw materials for use in manufacture of security fibre and security threads for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore for use in manufacture of security paper	31.03.2028

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

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

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
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### In TABLE I of notification No. 45/2025-Customs

1.	93	Naphtha, for use in the manufacture of fertilisers	31.03.2028
2.	95	Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in Special Economic Zone (SEZ) and returned by the DTA unit to the SEZ unit from where such LPG were received.	31.03.2028
3.	107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules	31.03.2028



4.	117	Maltol, for use in the manufacture of deferiprone	31.03.2028
5.	145	Specified goods imported for the manufacture of Copper-T contraceptives	
6.	154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables	31.03.2028
7.	172	Hydrophilic non-woven, hydrophobic non-woven, imported for use in the manufacture of adult diapers	31.03.2028
8.	201	Spent catalyst or ash containing precious metals	31.03.2028
9.	218	Metal parts for use in the manufacture of electrical insulators	31.03.2028
10.	219	Pipes and tubes for use in manufacture of boilers	31.03.2028
11.	231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators	31.03.2028
12.	236	Zeolite for use in the manufacture of wash coat for catalytic converters	31.03.2028
13.	243	High speed cold-set or high-speed heat set web offset rotary printing machines along with mail room equipment	31.03.2028
14.	271	Cash dispenser or automatic banknote dispenser and its parts and components	31.03.2028
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	31.03.2028
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from	31.03.2028
17.	291	Parts and Components of digital still image video cameras	31.03.2028
18.	309	Raw materials or parts for use in manufacture of e-Readers	31.03.2028
19.	370	X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use	31.03.2028
20.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use	31.03.2028



21.	397	Parts of video games for the manufacture of video games	31.03.2028
<b>In TABLE IV of notification No. 45/2025-Customs</b>			
22.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	31.03.2028

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

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

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

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

*Note: Description of entries is indicative. Notification may be referred to for complete description.*



- d. Other changes in the exemption entries of notification No. 45/2025-Customs:
  - i. Sunset-clause for the following entries is being removed with effect from 02.02.2026:

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

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

- ii. Sunset-date of 31.03.2027 for the following entries is being prescribed:

Sl. No.	S. No. of TABLE I in notification No. 45/2025- Customs	Brief Description	End date prescribed
1.	192	Gold dore bar, having gold content not exceeding 95%	31.03.2027
2.	193	Silver dore bar having silver content not exceeding 95%	31.03.2027
3.	194	i. Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger ii. Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	31.03.2027
4.	195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	31.03.2027



*Note: Description of entries is indicative. Notification may be referred to for complete description.*

iii. The following entries of notification No. 45/2025-Customs are being modified as under, with effect from 02.02.2026:

Sl. No.	S. No. of TABLE I in notification No. 45/2025- Customs	Particulars
1.	69	The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year
2.	134	The modified description covers specified goods for use in the manufacture of sheets/encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof or backsheets, which are used in the manufacture of solar photovoltaic cells or modules
3.	12, 140, 142	The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
4.	143	The benefit of duty exemption on specified inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also. The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
5.	222	The modified description covers copper wire of refined copper of which the maximum cross-sectional dimension exceeds 6 mm or copper rods of refined copper, for the manufacture of photovoltaic ribbon, or tinned copper interconnect or cell interconnect or string interconnect or the photovoltaic connect or photovoltaic ribbon or solar ribbon or manufacture of solar photovoltaic cell or modules.
6.	220 & 230	S.No. 220 pertaining to "Forged steel rings for manufacture of special bearings for use in wind operated electricity generators" is being merged with S.No. 230. Subsequently, the description of S.No. 230 covering goods for manufacture or the maintenance of wind operated electricity generator components, has been modified.

*Note: Description of entries is indicative. Notification may be referred to for complete description.*



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

Sl. No.	S. No. of TABLE I in notification No. 45/2025- Customs	Brief Description
1.	139	Ethylene vinyl acetate (EVA)
2.	157	New Pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S.Nos. 155 and 156 of the notification No. 45/2025-Customs)
3.	217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00, 7318 29 90

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

### B. Review of exemptions prescribed by other notifications:

a. The validity of the BCD exemption for the goods covered under the following notifications is being **extended** for two years, i.e. upto 31.03.2028:

Sl. No.	Notification No.	Brief Description	End date
1.	248-Customs dated 2nd August 1976	Exemption to precious stones imported by posts on approval or return' basis	31.03.2028
2.	32/1997- Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing	31.03.2028
3.	24/2001- Customs dated 1st March 2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts	31.03.2028
4.	25/2001- Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing	31.03.2028

*Note: Description of entries is indicative. Notification may be referred to for complete description.*



b. The following standalone notification is being allowed to lapse on the 31.03.2026:

Sl. No.	Notification No.	Brief Description	End date
1.	113/2003- Customs dated 22nd July 2003	Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA	31.03.2026

*Note: Description is indicative. Notification may be referred to for complete description.*

c. For the following standalone notification, a sunset date of 31.03.2028 is being prescribed:

Sl. No.	Notification No.	Brief Description	End date
1.	29/2025- Customs dated 9th May, 2025	Exemption to works of art and antiques intended for public exhibition	31.03.2028

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

d. The following exemption entries of notification No. 36/2024-Customs are being omitted with effect from 02.02.2026 as these are redundant. The effective BCD rate would remain the same and will operate through the First Schedule of the Customs Tariff Act, 1975. The details are as under:

Sl. No.	S. No. of notification No.36/2024-Customs	Description
1.	5	Copper ores and concentrates
2.	6	Cobalt ores and concentrates
3.	7	Tin ores and concentrates
4.	8	Tungsten ores and concentrates
5.	9	Molybdenum ores and concentrates
6.	10	Zirconium ores and concentrates



7.	12	Vanadium ores and concentrates
8.	13	Niobium or tantalum ores and concentrates
9.	14	Antimony ores and concentrates
10.	42	Unwrought Tin
11.	43	Unwrought tungsten, including bars and Rods obtained simply by sintering
12.	44	Unwrought molybdenum, including bars and rods obtained simply by sintering
13.	45	Unwrought tantalum, including bars and rods obtained by sintering, powders
14.	46	Cobalt, unwrought
15.	47	Bismuth, unwrought
16.	48	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight
17.	49	Unwrought antimony, powders
18.	50	Beryllium unwrought, powders
19.	51	Hafnium unwrought, waste and scrap, powders
20.	52	Rhenium unwrought
21.	53	Cadmium unwrought, Powders
22.	54	Cadmium, wrought

Note: Description of entries is indicative. Notification may be referred to for complete description.

### VII. SOCIAL WELFARE SURCHARGE (SWS)

- Specified goods are exempted from SWS vide notification No. 11/2018-Customs. The following changes



been made in notification No. 11/2018-Customs, consequent to omission of certain entries from exemption notifications. The effective duty incidence is unchanged, and the following goods continue to remain exempted from levy of Social Welfare Surcharge (SWS). The changes are technical in nature.

- i. Sl. No. 1 of notification No. 11/2018-Customs is being amended to include natural graphite (heading 2504), quartz and quartzite (heading 2506), silicon dioxide (tariff item 2811 22 00), and artificial graphite (heading 3801). Presently, the said goods are exempted from SWS vide Sl. No. 1, 3, 20 and 41 of notification No. 36/2024-Customs dated 23.07.2024. Subsequent to the omission of these exemption entries from the notification No. 36/2024-Customs, the said goods will continue to remain exempt from SWS vide modified Sl. No. 1 of notification No. 11/2018-Customs. This change will come into effect from 01.05.2026.
- ii. Presently, all goods under sub-heading 2106 90, excluding compound alcoholic preparations of a kind used for the manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at a temperature of 20 degrees centigrade, attract concessional BCD rate of 50% vide S. No. 67 of TABLE I in notification No. 45/2025-Customs (along with SWS). The exemption entry is being omitted from notification No. 45/2025-Customs and the concessional BCD rate will be shifted to the First Schedule, with effect from 01.05.2026. As a part of consequential changes, Sl. No. 7 of notification No. 11/2018-Customs is being omitted and Sl. No. 1 of notification No. 11/2018-Customs is being amended to include tariff item 2106 90 51 covering compound alcoholic preparations. Incidence of SWS for goods under sub-heading 2106 90 will remain unchanged. This change will come into effect from 01.05.2026.
- iii. Spent catalyst and ash containing precious metals falling under heading 7112 is exempt from SWS vide Sl. No. 54A of notification No. 11/2018-Customs. The description of the entry at Sl. No. 54A is being modified with effect from 01.04.2026 to omit the reference to S.No. 201 of TABLE I of notification No. 45/2025-Customs which is being lapsed on 31.03.2026. The exemption from SWS, vide modified Sl. No. 54A of notification No. 11/2018-Customs, will continue unchanged for spent catalyst or ash containing precious metals.
- b. Social Welfare Surcharge (SWS) will be levied on all goods falling under heading 9804 (all dutiable goods imported for personal use) with effect from 01.04.2026.



c. Parts of electronic toys for manufacture of electronic toys under S.No. 396 of TABLE I in notification No. 45/2025-Customs are being exempted from SWS with effect from 02.02.2026. Henceforth, all goods under heading 9503 will be exempt from the levy of SWS.

### VIII. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

New pneumatic tyres, of rubber, of a kind used on aircraft falling under tariff item 4011 30 00 (other than goods covered under S.Nos. 155 and 156 of TABLE I of notification No. 45/2025-Customs), attract 0.5% AIDC vide Sl. No. 13A of notification No. 11/2021-Customs. The description of the entry at Sl. No. 13A is being modified with effect from 02.02.2026 to omit the reference to S. No. 157 of TABLE I of notification No. 45/2025-Customs, following the omission of the said exemption entry with effect from 02.02.2026. The AIDC rate will continue unchanged at 0.5% for New pneumatic tyres, of rubber of a kind used on aircraft (other than those attracting NIL BCD).

## AMENDMENTS IN EXCISE DUTY

### Note:

- “Basic Excise Duty” means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.
- “NCCD” means National Calamity Contingent Duty levied under Finance Act, 2001, as a duty of excise on specified goods at rates specified in Seventh Schedule to Finance Act, 2001
- Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2026.
- Amendments carried out through the Finance Bill, 2026 come into effect on 01.05.2026, unless otherwise specified.

### I. AMENDMENT TO SEVENTH SCHEDULE TO THE FINANCE ACT, 2001

The Seventh Schedule to the Finance Act, 2001 is being amended to revise the NCCD Schedule rates on chewing tobacco (HS 2403 99 10), jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) w.e.f 01.05.2026, as detailed below. The effective rate will remain unchanged\*. [Clause 142 read with Sixth Schedule of the Finance Bill, 2026]



Tariff item	Description	NCCD Rates	
		From	To
(1)	(2)	(3)	(4)
2403 99 10	Chewing tobacco	25%	60%
2403 99 30	Jarda scented tobacco	25%	60%
2403 99 90	Other	25%	60%

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

### II. EXEMPTION FROM CENTRAL EXCISE DUTY ON VALUE OF BIOGAS/COMPRESSED BIOGAS (CBG) CONTAINED IN BLENDED COMPRESSED NATURAL GAS (CNG)

The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG. To this effect, notification No. 11/2017-Central Excise dated 30.06.2017 is being suitably amended vide notification No. 02/2026-Central Excise dated 01.02.2026. This change will come into effect from 02.02.2026. Notification No. 05/2023-Central Excise, dated 01.02.2023, vide which Central Excise duty was exempted only on the GST amount paid on biogas/CBG contained in such blended CNG is being rescinded with effect from

### III. DEFERMENT OF DATE OF IMPLEMENTATION OF HIGHER EXCISE DUTY ON SALE OF UNBLENDED DIESEL

The implementation of levy of additional excise duty of Rs. 2 per litre on unblended diesel is being deferred till 31.03.2028, by amending notification No. 11/2017-Central Excise dated 30.06.2017 vide notification No. 02/2026-Central Excise dated 01.02.2026.

# REGULATORY CHANGES

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Streamlines mergers, raises insurance FDI to 100%, decriminalizes laws, and expands MSME classification for growth.





The Union Budget 2026-27 maintains continuity in individual and corporate tax slabs, providing certainty to taxpayers and businesses. The focus remains on simplifying procedures, reducing disputes, and encouraging voluntary compliance through targeted reforms rather than broad structural changes.

## FOREIGN INVESTMENT AND EXCHANGE REGULATIONS

### Review of FEMA and Non-Debt Instruments Rules

A comprehensive review of FEMA and the Non-Debt Instruments Rules has been proposed to create a simpler and more user-friendly foreign investment framework aligned with India's economic priorities.

### FDI facilitation and IFSC rationalization

FDI facilitation measures include extension of safe harbour provisions for IT services and rationalized tax treatment for IFSC units. These steps aim to improve investor confidence and ease cross-border capital flows.

## LABOUR REFORMS

### Notification and implementation of Labour Codes

The four Labour Codes have been notified and brought into force from November 21, 2025. These codes consolidate 29 central labour laws into a unified framework covering wages, industrial relations, social security, and occupational safety.

These reforms aim to improve worker protection, promote formal employment, enhance productivity, and create a predictable regulatory environment for businesses, particularly MSMEs.

<b>AIF:</b> Alternative Investment Funds	<b>IGST:</b> Integrated Goods and Services Tax
<b>AJP:</b> Artificial Juridical Person	<b>IIO:</b> International Insurance Office
<b>ALP:</b> Arm Length Price	<b>INR:</b> Indian Rupee
<b>AMT:</b> Alternate Minimum Tax	<b>ITC:</b> Input tax credit
<b>AO:</b> Assessing Officer	<b>MSME:</b> Medium small scale enterprises
<b>AOP:</b> Association of Persons	<b>NBFC:</b> Non Banking Finance Company
<b>AY:</b> Assessment Year	<b>NPS:</b> National Pension Scheme
<b>BE:</b> Budget Estimates	<b>NSS:</b> National Savings Scheme
<b>BOI:</b> Body of Individuals	<b>PE:</b> Permanent Establishment
<b>CAD:</b> Current Account Deficit	<b>PFCE:</b> Private Final Consumption Expenditure
<b>CBDT:</b> Central Board of Direct Taxes	<b>R&amp;D:</b> Research & Development
<b>CBIC:</b> Central Board for Indirect Taxes and Customs	<b>RBI:</b> Reserve Bank of India
<b>CGST:</b> Central Goods and Services Tax	<b>RE:</b> Revised Estimates
<b>CIT:</b> Commissioner of Income Tax	<b>SEBI:</b> Security Exchange Board of India
<b>COVID-19:</b> Coronavirus disease-19	<b>SEZ:</b> Special Economic Zone
<b>CPI:</b> Consumer Price Index	<b>SGST:</b> State Goods and Services Tax
<b>Crone:</b> One Crore INR is equivalent to INR 10 Million / 0.15 Million US dollars	<b>SHE:</b> Secondary Higher Education Cess
<b>CSO:</b> Central Statistics Organisation	<b>TCS:</b> Tax collected at Source
<b>DDT:</b> Dividend Distribution Tax	<b>TDS:</b> Tax deducted at source
<b>DRI:</b> Directorate of Revenue Intelligence	<b>TP:</b> Transfer Pricing
<b>DRP:</b> Dispute Resolution Panel	<b>TPO:</b> Transfer Pricing Officer
<b>EC:</b> Education Cess	<b>ULIPs:</b> Unit Linked Insurance Policy
<b>FAR:</b> Function, asset, risk analysis	<b>UTGST:</b> Union Territory Goods and Services Tax
<b>FDI:</b> Foreign Direct Investment	<b>UTs:</b> Union Territories
<b>FII:</b> Foreign Institutional Investor	<b>VDA:</b> Virtual Digital Assets
<b>FIPB:</b> Foreign Investment Promotion Board	<b>WHT:</b> Withholding Taxes
<b>FPI:</b> Foreign Portfolio Investor	<b>WPI:</b> Whole sale Price Index
<b>FY:</b> Financial Year	
<b>GDP:</b> Gross Domestic Product	
<b>GFCE:</b> Government Final Consumption Expenditure	
<b>GST:</b> Goods & Service Tax	
<b>GVA:</b> Gross Value Added	
<b>HUF:</b> Hindu Undivided Family	
<b>HUFs:</b> Hindu undivided family	
<b>IFSC:</b> International Financial Services Centre	

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned proposals, please do get back to us and we shall be happy to provide you the same.

With Best Regards,

Team JPC

#### **About JPC.**

Our journey started in the year 1974 as a Tax, Assurance, and Accounting Firm in the India's capital New Delhi. We became a partnership in the year 1981 and a Limited Liability Partnership in the year 2015. We have three offices currently, i.e. Gurugram, New Delhi and Noida (National Capital Region).

We are a team of Chartered Accountants, Company Secretaries, Management Accountants, Corporate Financial Advisors, Management Consultants, Technology Consultants and Forensic Professionals. Our team has the requisite skills to provide business & management advice, financial, assurance, tax, technology and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country.

We are regulated by The Institute of Chartered Accountants of India.

Through our resources and connections, we serve major business destinations all over India.

Our business values include integrity, innovation, ethics, equality, economic growth and continuous learning; we believe our values are drivers for economic growth for each stake holder of our organization.

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