



► **Budget Highlights**





## Direct Tax

 **Interest on Compensation Awarded by MACT: Exempt**

- Interest awarded by Motor Accident Claims Tribunal to individuals will be exempt from tax & no TDS will be deducted on such interest.

 **Rationalization of TDS & TCS**

- TCS on Overseas Tour Package reduced from 5 & 20% to 2%, with no monetary threshold.
- TCS on education and medical purposes under LRS reduced from 5% to 2%.
- TDS on manpower services will be capped at 1%/2% as applicable.
- Automated process for lower or nil TDS certificate for small taxpayers.
- TCS on alcoholic liquor, scrap, minerals will be 2% & on tendu leaves as well 2% (previously 5%).
- TDS on sale of Immovable Property by Non-resident simplified via buyer PAN-based challan instead of TAN, effective from 1/10/2026.

 **Relaxation in Return**

- Time limit for revising returns extended to 31st March, subject to payment of a nominal fee.
- Due Date for filing returns by Non-audit Businesses/Trusts has extended from 31<sup>st</sup> July to 31<sup>st</sup> August.

 **Overseas Asset Disclosure Scheme**

- A one-time 6-month window for small taxpayers, young professionals, students, and NRIs to declare overseas income/assets.
  - Category A: Undisclosed income/assets up to ₹1 Cr – pay 30% tax + 30% extra tax, get immunity from prosecution.
  - Category B: Already declared income/assets but unreported acquisition up to ₹5 Cr – pay ₹1 lakh fee, get full immunity.



## Rationalization of Penalties and Prosecution

- Integration of assessment and penalty proceedings through a common order; interest-free on penalty during appeal. Pre-payment reduced from 20% to 10%.
- Option to update returns post-reassessment at additional 10% tax over applicable rate.
- Immunity from penalties now extended to misreporting cases, subject to full additional tax.
- Technical defaults (audit, transfer pricing, financial transaction reporting) to be treated as fee rather than penalty.
- Minor offences now attract fine only, serious offences graded with maximum imprisonment capped at 2 years.
- Non-disclosure of foreign assets under ₹20 lakh granted immunity from prosecution retrospectively from 1st Oct 2024.



## IT Sector Support

- All IT-related services (software development, IT-enabled services, KPO, R&D services) clubbed under “Information Technology Services” with common safe harbour margin of 15.5%.
- Threshold for safe harbour increased from ₹300 Cr to ₹2,000 Cr.
- Safe harbour approval automated, valid for 5 years at taxpayer's discretion.
- Unilateral APA process for IT services to be fast-tracked within 2 years, extendable by 6 months.
- Modified returns facility under APA extended to associated entities.



## Benefits for Cooperative Societies

- Dividends received from other cooperatives can now be deducted under the new tax regime. to the extent such dividends are distributed to its members
- Deduction of 100% business profit extended to supply of cattle feed and cotton seed by cooperatives.
- Certain national cooperative federations can get 3-year exemption on dividends, provided distributed to members.



## Tax Administration Reforms

- ICDS integration with IndAS from FY 2027-28; separate accounting based on ICDS discontinued.



## Attracting Global Investment

- Foreign companies providing data centre services from India get tax holiday till 2047, if Indian customers served via an Indian reseller.
- Foreign companies supplying capital equipment or tooling to electronic manufacturers operating in customs bonded zones in India will get income-tax exemption on such income up to FY 2030-31.
- Non-resident experts working in India under notified Govt. schemes can get exemption on foreign income for 5 years.
- MAT exemption extended to non-residents paying tax on presumptive basis.



## Taxation of Buy Back of Shares

- Buybacks taxed as capital gains for all shareholders, Promoters will face an effective tax of 30%, while promoter companies will pay 22% on buyback gains.



## Rationalization of MAT

- MAT rate reduced from 15% to 14% on book profits.
  - MAT to be treated as final tax under the old tax regime – no fresh MAT credit going forward.
  - Existing MAT credit can be utilised only under the new tax regime with following restrictions.
- ✓ Domestic companies can set off MAT credit up to 25% of tax liability in a year.
- ✓ Foreign companies can set off MAT credit only to the extent normal tax exceeds MAT.



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## Revision in Securities Transaction Tax Rate



- STT on Futures: 0.05% (from 0.02%); Options: 0.15% (premium/exercise) from 0.1–0.125%.

## Penalties for Non-Compliance in Crypto-Asset Reporting

- Failure to furnish the crypto transaction statement will attract a penalty of ₹200 per day, while furnishing inaccurate information or failing to correct it will attract a penalty of ₹50,000.



## Indirect Tax



## Amendment in GST Legislative Laws:

- Earlier post sale discounts were allowed only if linked to prior agreement and specific invoices
- The amendment removed the requirement of invoice wise linkage of post sale discount
- Post sale discount now can be given through issuance of credit note under section 34
- Recipient is required to reverse the proportionate input tax credit



## Amendment in GST Legislative Laws:

- Under Section 54(6) of the CGST Act, 2017, provisional refund was allowed only for zero-rated supplies (exports and supplies to SEZ).
- Section 54(6) has been amended to **extend the benefit of provisional refund to refunds arising from inverted duty structure**, enabling faster release of refund amounts.



## Amendment in GST Legislative Laws:

- **Earlier Position:**

As per Section 54(14) of the CGST Act, 2017, refund claims were not sanctioned if the refund amount was less than ₹1,000, even in cases of goods exported out of India with payment of tax.

- **Amendment:**

Section 54 (14) has been amended to remove the threshold limit of ₹1,000 for sanction of refund in respect of export of goods with payment of tax.



## Amendment in GST Legislative Laws:

- A new **sub-section (1A)** is inserted in Section 101A to empower the **Central Government**, pending the constitution of the National Appellate Authority, to **authorize an existing Tribunal** by notification to hear appeals under Section 101B.
- It is also provided that **sub-sections (2) to (13)** of Section 101A shall **not apply** where such a Tribunal is empowered.



## Amendments in the Customs Act, 1962

- **Extended Jurisdiction:**

Customs Act jurisdiction extended beyond territorial waters for fishing and fishing-related activities.

- **New Definition Introduced:**

Term “Indian-flagged fishing vessel” defined in Section 2.

- **Penalty Clarification:**

Penalty paid under Section 28(5) shall be treated as a charge for non-payment of duty upon determination under Section 28(6).

- **Validity of Advance Ruling:**

Advance rulings to remain valid for five years or until change in law or facts, whichever is earlier.

- **Extension of Existing Advance Rulings:**

Advance rulings in force on the date of Presidential assent to the Finance Bill, 2026 may, on request of the applicant, be extended for a further period of five years from the date of the ruling.

- **Special Provisions for Fishing Activities:**

New Section 56A introduced to govern fishing and fishing-related activities by Indian - flagged fishing vessels beyond territorial waters, allowing duty-free import of fish harvested, and treating fish landed at foreign ports as exports.

- **Simplification of Warehouse Transfers:**

Section 67 substituted to allow movement of warehoused goods between bonded warehouses without prior permission of the proper officer, subject to prescribed conditions.

- **Expanded Regulatory Scope under Section 84:**

Amendment enables the Board to frame regulations covering custody and examination of imported and export goods.



## Amendment to Rules and Regulations under Customs Act, 1962

- New Baggage Rules introduced for international passengers.
- Deferred payment of import duty shifted to a **monthly basis** and extended to a new class of eligible importers.
- **Value cap** removed on goods exported through courier mode.
- Courier return and reject procedures simplified to promote e-commerce.
- Courier Regulations amended to allow return to origin, reducing congestion and improving operational efficiency.



## Amendments in the Customs Tariff Act, 1975

- **Expansion & Rationalisation of Tariff Entries:**  
First Schedule amended to **add 148 new tariff entries**, substitute/**delete 54 entries**, and amend certain entries across multiple chapters.
- **Revision of Tariff Rates:**  
Tariff rates on selected items modified from 02.02.2026, with further rate rationalisation effective from 01.04.2026.
- **Simplification of Duty Structure:**  
New tariff lines created and certain existing rates amended to operationalize effective BCD rates through the First Schedule instead of exemption notifications, without change in applicable duty rates.
- **Improved Product Identification & Monitoring:**  
New tariff lines introduced to enable better export identification, monitor chemicals, track plant-based extract products, and promote eco-friendly industries.



## Amendment to Export Promotion Measures

### (i) Extended Export Obligation Period

The export period for goods manufactured using duty-free imported inputs—specifically **textile and leather garments**, leather/synthetic footwear, and other leather products—has been extended from **six months to twelve months**, providing exporters additional time to fulfill export commitments.

### (ii) Expanded Duty Exemption Coverage

The benefit of duty exemption on inputs for the manufacture of leather and synthetic footwear for export has been extended to include exporters of shoe uppers, broadening the scope of eligible beneficiaries.



## Amendment to Export Promotion Measures

### Enhanced Duty-Free Import Limit for Seafood Processing

The value limit for duty-free import of specified goods used in seafood processing has been increased from **1% to 3%** of the **FOB** value of seafood exports made during the **preceding financial year**.

 **Exemption of Central Excise Duty on Blended CNG****Exemption of Central Excise Duty on Blended CNG (CBG Component)**

- The value of Biogas / Compressed Biogas (CBG) contained in blended CNG has been excluded from the transaction value for levy of central excise duty.
- Applicable GST (CGST/SGST/UTGST/IGST), as paid on Biogas/CBG, will continue to apply independently.
- Central excise duty will now be levied only on the non-CBG portion of blended CNG

**Revision of NCCD Rates (Effective from 1 May 2026) – No Change in Effective Duty**

S.N O	Description	NCCD Rate	
		From	To
1.	Chewing tobacco	25%	60%
2.	Jarda scented tobacco	25%	60%
3.	Other	25%	60%



## Corporate Policy & Other Key Updates

 **Reform Push towards Ease of Doing Business**

The Budget Speech highlighted the Government's continued commitment towards structural reforms, noting that over 350 reform measures have already been implemented in recent years. These include simplification of regulatory frameworks, reduction in compliance burdens, and improvements in business approvals and governance processes.

**Corporate relevance :**

This reflects a long-term policy direction towards a more business-friendly environment and streamlined corporate compliance.

 **Strengthening MSMEs through “Champion SMEs” Framework**

To support MSME growth and scale-up, the Budget announced a structured financial and policy package, including:

- ₹10,000 crore SME Growth Fund
- Additional ₹2,000 crore allocation to the Self Reliant India Fund
- Reforms for faster access to liquidity and receivable financing.

**Corporate Relevance:**

This will strengthen MSME supply chains and enhance the overall ecosystem for corporate procurement and vendor partnerships.

 **Liquidity Support through TReDS**

- Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates.
- Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform.
- Linking GeM with TReDS to encourage cheaper and quicker financing.
- TReDS receivables as asset backed securities, to develop a secondary market and enhance liquidity and settlement of transactions.

 **Professional Support**

Government to facilitate Professional Institutions to develop 'Corporate Mitras' especially in Tier-II and Tier-III towns, to help MSMEs meet compliance requirements at affordable costs.

 **Foreign Assets Disclosure Scheme, 2026**

The Finance Bill 2026 has introduced the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026, allowing small taxpayers to voluntarily disclose any undisclosed foreign income or assets. This scheme provides an opportunity to regularize such assets by paying the prescribed tax and penalty, and in return, the declarant may receive immunity from prosecution under the Black Money Act.

**Corporate relevance:**

This is important for individuals such as promoters or directors who may hold foreign assets requiring compliance regularization.



## Sectoral Push for Critical Minerals

Finance Bill 2026 has expanded Schedule XII by including critical minerals such as lithium-bearing ores, graphite, potash, niobium, tantalum, etc.

This measure reflects the government's strategic focus on supporting domestic supply chains for sectors such as electric vehicles, batteries, renewable energy, and defence manufacturing.

### **Corporate relevance:**

Encourages investment in mining and exploration of critical resources.



## Provident Fund Taxation Alignment (Finance Bill 2026)

- Interest taxable if employee contribution > ₹2.5 lakh p.a.
- Higher limit ₹5 lakh where employer doesn't contribute
- Employer retirement fund exemption capped at ₹7.5 lakh p.a.
- Excess treated as taxable income (slab-based)

### **Corporate relevance:**

Increased payroll and compliance tracking required.



## Ease of doing business

Earlier, if any importer or business wanted to transfer warehoused goods from one bonded warehouse to another, it generally required:

- Prior approval from Customs authorities.
- Physical supervision and paperwork.
- Time-consuming clearances

This created operational delays, especially for businesses using multiple storage or logistics hubs.

### **Change has been introduced in Finance Bill 2026:**

The amendment removes procedural rigidity and allows smoother transfer of warehoused goods by:

- Enabling inter-warehouse movement with simplified compliance.
- Reducing the need for case-by-case prior permissions
- Supporting faster supply chain operations.

### **Corporate relevance:**

This change reflects the government's focus on improving trade facilitation.



## Relief under Black Money Act – Threshold for Small Foreign Assets (Finance Bill 2026)

Finance Bill 2026 introduces relief for small taxpayers by prescribing a monetary threshold under the Black Money Act, 2015.

Earlier, even minor undisclosed foreign assets attracted strict penalties, prosecution risk, and heavy compliance burden.

Now, Sections 49 and 50 have been amended to provide that foreign assets (other than immovable property) up to **₹20 lakh** will not automatically trigger severe provisions of the Act.

### **Corporate relevance:**

Reduced hardship and disproportionate penalties for small-value foreign asset cases.



## Introduction of “Corporate Mitras” for Compliance Support

The Government announced the creation of a cadre of trained para-professionals called “Corporate Mitras,” in collaboration with ICAI, ICSI, and ICMAI. These professionals will assist small businesses in meeting statutory and compliance requirements.

### **Corporate relevance:**

This initiative will improve compliance accessibility, particularly for MSMEs and businesses operating in smaller cities.



## One-Time SEZ Policy Relaxation for Manufacturing Units (Budget 2026)

The Budget 2026 announced a special one-time relief measure for eligible SEZ manufacturing units. Under this provision, such units will be allowed to sell goods in the Domestic Tariff Area (DTA) at concessional duty rates.

Earlier, SEZ units were largely restricted to exports, and domestic sales attracted higher duties and compliance conditions.

### **Corporate relevance:**

This relaxation provides operational flexibility, supports better capacity utilisation, and offers relief to export-oriented units facing global demand disruptions.



Thank You!