

Building  
Successful  
Partnerships

# INDIA BUDGET 2026

A Synopsis

**KSL**  
NETWORK



Building  
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Partnerships

# INDIA BUDGET 2026

Our Budget publication for 2026 carries the theme "Building Successful Partnerships" — a quiet reflection on the power of collaboration in a world increasingly marked by division and disruption. At a time when global narratives are often shaped by conflict and competition, partnerships across nations, businesses, academic institutions, and global organizations remind us that progress is still born from cooperation, trust, and shared intent. These alliances—economic, technological, academic, and social—form the underlying foundation that supports resilience and long-term growth.

The images woven through this publication draw inspiration from strategic partnerships that have been created or renewed in recent times, echoing a simple but enduring truth: meaningful collaboration remains one of the most effective responses to uncertainty. As we engage with the Budget this year, we do so through the lens of these evolving global relationships and the possibilities they unlock for the future.

This theme also holds special significance for us, as we dedicate this publication to the beginning of our own collaboration as founding members of KSL Network—a collaboration we believe will strengthen shared capabilities and collective purpose in the years ahead.

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# **DIRECT TAX**

Building Successful Partnerships

# INDIA BUDGET 2026

India-US Chip and Science Partnership (2023-2024)

US Commerce Secretary Gina Raimondo and India's Commerce and Industry Minister Piyush Goyal mark the India-US semiconductor manufacturing partnership under the US CHIPS and Science Act.

## 1. Tax Rates

### All taxpayers

No change in normal tax rates across all categories of taxpayers. However, for corporates under old regime, Minimum Alternate Tax (MAT) rate reduced from 15% to 14%.

## 2. Personal Tax

### *Tax on redemption of Sovereign Gold Bond*

The provisions of section 70(1)(x) of the ITA, 2025<sup>1</sup> grant exemption from capital gains tax on redemption of Sovereign Gold Bonds issued by the RBI under the Sovereign Gold Bond Scheme, 2015. As the Scheme involves multiple series of bonds issued from time to time, the existing provision may lead to inconsistent application of the

exemption. To ensure uniformity and align the exemption with its intended scope, it is proposed to amend section 70(1)(x) to clarify that the exemption shall be available only where the Sovereign Gold Bond is subscribed to at the time of original issue and is held continuously by the subscriber until redemption on maturity.

### *Rationalisation of Provident Fund provisions*

In light of existing consolidated monetary ceiling of Rs. 7.5 lakhs on aggregate employer contributions (to EPF, NPS and superannuation funds), it has been proposed not to treat employer's contribution in excess of 12% of salary as deemed income.

### *Exemptions*

- Income on compulsory acquisition of land under RFCLARR Act now specifically exempt under ITA 2025

- Disability pension to armed force / paramilitary personnel where disability is attributable to or aggravated by service in armed forces / paramilitary
- Interest income under Motor Vehicles Act 1988 either to the individual / legal heir – correspondingly, no WHT on such interest payments

<sup>1</sup>The Income-tax Act, 2025 – referred as 'the ITA, 2025'

### 3. Corporate Tax

#### *Key reforms in MAT framework*

Under normal tax provisions, companies are required to pay higher of tax computed under normal provisions of the Act and MAT provisions. To encourage taxpayers to opt for concessional tax regime (22% / 15%) and not continue with the old tax regime only on account of utilization of MAT credit, it is proposed that no new MAT credit can be accumulated from April 1, 2026 and accordingly,

MAT paid for FY<sup>2</sup> 2026-27 onwards is proposed to be considered as final tax.

Further, set-off of any brought forward MAT credit available upto FY 2025-26 is proposed to be allowed only in the concessional tax regime. Under concessional regime, set off of the MAT credit for domestic companies is now allowed to the extent of 25% of tax liability whereas in case of

foreign companies, such set off is allowed to the extent of difference between tax under normal provisions and MAT, in the year in which normal tax exceeds MAT. The unutilised MAT credit is proposed to be carried forward for 15 years from the first year in which the credit becomes allowable.

#### *Due date for credit of employee contribution to PF, ESIC, Superannuation Fund, etc. rationalized*

Section 29(1)(e)(i)<sup>3</sup> of the ITA, 2025 provides for deduction of certain employee related contributions, viz., PF, ESIC, superannuation fund, etc. by the employer, subject to the condition that it

is credited to such relevant fund's account within the due date as specified by the relevant statutes. In order to incentivize the employer, an amendment has been proposed to provide that

such deduction shall be allowed in case such contribution has been deposited by the employer on or before the due date of filing of its tax return.

#### *Allowances for deduction of expenditure in the year of compliance with TDS provisions for non-life insurance businesses*

In order to allow deduction of expenditure for non-life insurance businesses, on which tax was either not deducted or after being deducted was not

paid, it has been proposed to amend the Schedule XIV of the ITA, 2025 to provide allowance of 30% of the expenditure in the year in which it has been

subsequently deducted and paid.

<sup>2</sup>The ITA, 2025 refers to FY as tax year. This publication refers to FY throughout for ease of understanding

<sup>3</sup>Corresponds to section 36(1)(va) of the ITA, 1961

## 4. Capital Gains

*Income from buy-back of shares taxable as Capital Gains*

Currently, receipt on account of buy-back of shares is taxable as dividend income in the hands of the shareholder at the applicable tax rates whereas the cost of acquisition of such extinguished shares is treated as 'Capital Loss' in the hands of the shareholder. The Bill proposes to tax income from buy-back of shares as 'Capital Gains' in the hands of the shareholders, instead of being treated as dividend income. Accordingly, the difference between the buy-back proceeds and cost of acquisition is taxable as capital gain and

taxed as per applicable tax rates, depending upon whether the shares were held for short-term or long-term.

Further, in addition to the aforementioned capital gains tax, an additional tax is proposed on such capital gains in the hands of promoter shareholders ranging from 2% to 17.5% depending on category of gains and nature of promoter to bring the effective tax rate to 22% and 30% in case of promoters being domestic companies and others, respectively.

**The effective tax rate (excluding surcharge and cess) on such capital gains is summarized as under:**

Nature of Securities & Capital Gains	Post-Amendment (Taxed as Capital Gain)		
	Promoter (Domestic Companies)	Promoter (other than Domestic Companies)	Non-Promoters
Long-term capital gains	22% (12.5% + 9.5%)	30% (12.5% + 17.5%)	12.5%
Short-term capital gains referred to in section 196 (STT-paid)	22% (20% + 2%)	30% (20% + 10%)	20%
Short-term capital gains (other than above)	22%	30%	30%

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### India EU deal

*European Commission President Ursula von der Leyen, Prime Minister Narendra Modi and European Council President António Costa mark the signing of the India-EU trade deal.*

**Notes:**

- The above rates shall be increased by applicable surcharge & cess
- For listed shares, 'Promoter' or member of 'Promoter Group' shall have the meaning as defined under the Securities and Exchange

Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

- For unlisted shares, 'Promoter' shall have the meaning as defined under section 2(69) of the Companies Act, 2013 and persons holding,

directly or indirectly, more than 10% of shareholding in the company.

***Increase in STT rates***

The Bill proposes to increase the Securities Transaction Tax ('STT') on options and futures transactions as under -

- Sale of futures – STT proposed to be increased to 0.05% of the traded price from existing 0.02%

- Sale of options –
  - On entering into options: STT proposed to be increased to 0.15% of option premium from existing 0.10%

- On exercise of the options: 0.15% of intrinsic price from existing 0.125%



## 5. International Taxation

### *Exemption for foreign companies procuring data center services in India*

To attract global investment in data centres and promote India's artificial intelligence ecosystem, the Bill proposes to exempt a foreign company from tax on income arising in India from procuring data centre services from a specified data centre.

The exemption will be available up to the FY ending 31 March 2047, subject to conditions, including that of routing services through an Indian reseller entity in case of services being provided to Indian users.

### *Exemption for supply of capital equipment to electronic goods manufacturers in bonded areas*

To promote electronic goods manufacturing and provide tax certainty to foreign suppliers, it is proposed to exempt a foreign company from tax on income arising from providing capital goods, equipment, or tooling to an Indian contract

manufacturer located in a customs bonded warehouse. The exemption will apply where the manufacturer produces electronic goods on behalf of the foreign company for consideration and will be available up to FY 2030–31.

### *Exemption for non-resident individuals rendering services under Notified Government Schemes*

To provide tax certainty to individuals who have remained non-resident in the immediately preceding 5 years, the Bill proposes to grant exemption on foreign-source income to such individuals if they are coming to India to render services in connection with notified government initiatives. The exemption will apply for five consecutive FYs, commencing from the FY in which the individual first visits India for rendering services under a notified Central Government

Scheme, subject to prescribed conditions.

This may effectively benefit non-resident individuals in the year when they become resident in India, and would otherwise have been subject to tax on their global income. This exemption could provide a fillip to sectors like semi-conductors or GCCs which require movement of technical personnel from outside of India in the initial years (subject to these industries being notified).

*Rationalization of MAT applicability  
for non-residents under presumptive taxation*

To ensure parity amongst non-resident taxpayers opting for presumptive taxation, it is proposed to exclude additional specified businesses from the scope of Minimum Alternate Tax (MAT). Accordingly, non-resident businesses engaged in the operation of cruise ships and in providing services or technology for setting up electronics manufacturing facilities in India will also be kept outside the MAT framework, effective from FY 2026-27 onwards.

## 6. Transfer Pricing

### *Major upgrades to Safe Harbour Regulations – push to GCCs*

The Bill proposes to bring about positive amendments under the existing Safe Harbour provisions. Entire gamut of IT-related services are proposed to be clubbed under one basket with reduction in expected markup as under -

Category of service	Existing markup	Proposed markup
Software services	17% / 18%	
IT enabled services	17% / 18%	15.5%▼
Knowledge process outsourcing services	24% / 21% / 18%	
Contract R&D services for software development	24%	
Data center services	n.a.	15%

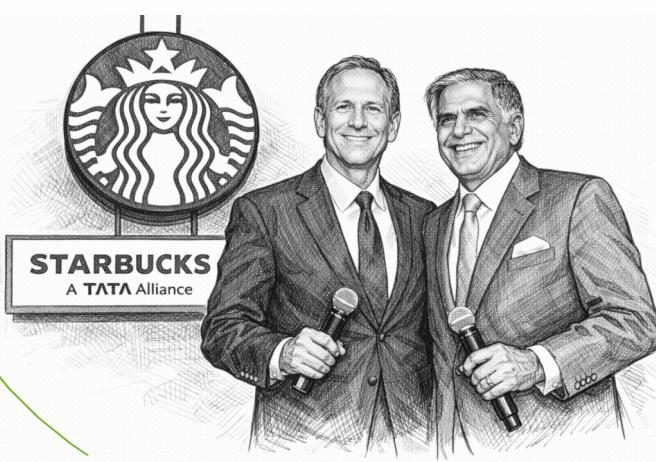
- The current threshold upto which safe harbour benefits are available for IT services is proposed to be increased from INR 300 crores to INR 2,000 crores.
- The safe harbour application would be an *automatic rule-driven process* without the need of tax officer to examine and accept the

application. Further, at their option, the taxpayers can make it applicable for a continuous period of 5 years.

The Bill also proposes for unilateral APA applications for IT service providing entities in India, to be undertaken on a fast track basis i.e. within 2 years with a further extension of 6 months on request of taxpayer.

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### Tata & Starbucks partnership

Ratan Tata and Howard Schultz at the launch of the Tata-Starbucks joint venture, marking the partnership that introduced Starbucks to India.

### *Other updates to Safe Harbour Regulations*

- Apart from tax exemptions in initial period of 5 years for non-residents EMS supplying capital goods to contract manufacturers in India, the Bill also proposes to provide for a safe harbour profit at 2% of invoice value for component warehousing in a bonded warehouse. The

effective tax rate would be 0.7% providing a competitive advantage to India as compared to other jurisdictions.

- The current Safe Harbour rules require certification by a cost account recognized in AE's country of registration for low-value added

services provided by AE – towards cost pooling, allocation keys, exclusion of shareholder / duplicating costs, etc. The Bill proposes to rationalise the definition of *accountant* to support home-grown accounting and advisory firms to become global leaders.

### *Option to modify return of income for foreign Aes*

- In case of APA getting finalized and signed by Indian taxpayers, only Indian taxpayer gets an option to modify its return of income to give effect to APA clauses. The Bill proposes that an option of modifying return of income would also

be available to the foreign AE whose taxable income in India gets impacted in view of the APA entered into by the Indian taxpayer with the CBDT.

- This amendment is proposed to enable such AE (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.

### *Time limit for passing transfer pricing order by TPO*

The Bill proposes to clarify and amend the time limit for completion of transfer pricing assessment by the TPO as below -

- Timeline for passing an order under section 92CA<sup>4</sup>(*transfer pricing order*) of the ITA, 1961 has been clarified retrospectively from June 1, 2007

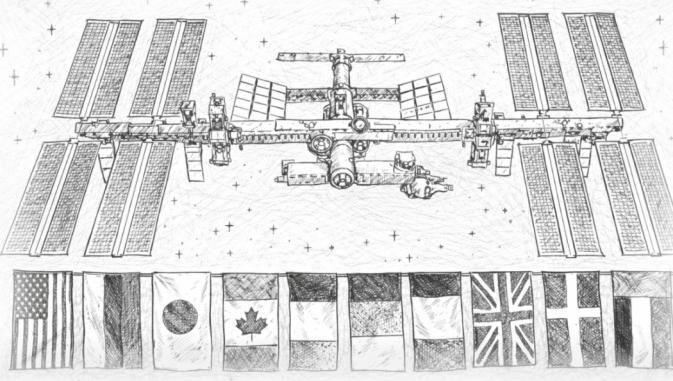
as follows for assessment proceedings for assessment years upto AY 2026-27.

<sup>4</sup>Section 92CA of ITA, 1961 corresponds to Section 166 of the ITA, 2025



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**International Space Station**  
*The International Space Station, the world's longest-running multinational space collaboration, uniting astronauts from across the globe in continuous orbit since 2000.*

Expiry of period of limitation of Assessment proceedings	Date of passing TP order as per existing judicial precedents	Date of passing transfer pricing order as per the Bill
31 March (Non-leap year)	29 January	30 January
31 March (Leap year)	30 January	31 January
31 December	31 October	1 November

- A similar amendment has been proposed in the ITA, 2025 (for assessment years 2027-28 onwards) with the difference being that due dates in ITA, 1961 are computed basis number of days, whereas in ITA, 2025, the due dates are computed basis number of months -

Expiry of period of limitation of Assessment proceedings	Date of passing TP order as per the Bill
31 March (Both Leap year and Non-leap year)	31 January
31 December	31 October

*Time limit for completion of assessment under section 144C in case of eligible assesses*

- As per the ITA, 1961, time limit and procedure for completion of assessment in case of eligible assesses is governed by section 144C, while in other cases, time limits are prescribed in section 153 and 153B of the ITA, 1961. However, view is generally taken wherein the entire procedure of 144C is required to satisfy

timelines of section 153 and 153B as well. In order to settle this issue, it is proposed to clarify that time lines in section 153 and 153B govern till 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.

Clarification to apply retrospectively w.e.f. 1.04.2009 in respect of Section 153 and 1.10.2009 in respect of section 153B in the ITA, 1961. Similar amendment proposed in the ITA, 2025.

*Fees for non-furnishing of Form 3CEB*

- The Bill proposes to levy a fee (instead of a penalty) of INR 50,000 for non-furnishing of Form 3CEB for a delay up to one month and INR 1,00,000 for delay beyond 1 month. Thus, the fees for non-furnishing of Form 3CEB have been made mandatory as compared to the earlier provision wherein it was discretionary on the direction of Assessing Officer.



## 7. Tax Deducted at Source & Tax Collection at Source

*Rationalization of TCS rates*

Section as per the ITA, 1961	Section as per the ITA, 2025 (Section 394-Table A)	Nature of Payment	Current rate	Proposed rate
206C(1)(i)	SI No. 1	Sale of alcoholic liquor for human consumption	1%	2%
206C(1)(ii)	SI No. 2	Sale of tendu leaves	5%	2%
206C(1)(vi)	SI No. 4	Sale of scrap	1%	2%
206C(1)(vii)	SI No. 5	Sale of minerals, being coal or lignite or iron ore	1%	2%
206C(1G)	SI No. 7	Remittance under LRS of an amount or aggregate of the amounts exceeding ten lakh rupees for education / medical treatment	5%	2%
206C(1G)	SI No. 8	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% / 20%	2%

### *Clarification on TDS applicable on manpower supply services*

- Historically, characterization of 'manpower supply services' has been a contentious issue. It has now been proposed to amend the definition of 'work' as provided under section 402(47) of the ITA, 2025 to include supply of manpower

services within its ambit. Thus, TDS on all sorts of manpower supply services wherein the manpower work under the supervision, control or direction of the service-recipient shall now be deductible at the rate of 1% / 2% as per Table SI.

No. 6(i)/(ii)<sup>5</sup> of section 393(1) of the ITA, 2025 as TDS on payment to contractor for carrying out any 'work'.

### *Easing of requirement to file declaration of no deduction for investors on income from listed securities*

- Section 393(1) of the ITA, 2025 provides for tax withholding on specific investment incomes of resident individuals at the specified rates<sup>6</sup>, provided they exceed the prescribed thresholds. This includes income from units of Mutual Funds, interest on securities and any dividends received from domestic companies.

- Currently, the taxpayer is required to furnish the declaration for no deduction of TDS on the above incomes (in Form 15G / 15H prescribed under the ITA, 1961) to every company or fund house, from where the income is received. A

centralised window is proposed to enable the taxpayer to furnish declaration to the depository participants, thereby reducing the compliance burden.

### *Easing process for obtaining lower or no deduction tax certificates for 'small taxpayers'*

- Section 395(1)(a)<sup>7</sup> of the ITA, 2025 provides for making an application before the AO to obtain a certificate for lower or no tax deduction, subject to the AO being satisfied that total income of the payee justifies such lower or no deduction.

- An amendment has been proposed to ease the compliance burden for the 'small taxpayers' and provide for a mechanism for electronic filing of such application before the tax authorities. Currently, this facility has been enabled only for

resident payees and has not been extended for TDS on payments to non-resident payees or to the buyers for tax collection at source.

### *Extension of relaxation to obtain TAN, where seller of immovable property is a non-resident*

- Under the ITA, 1961 and under section 397(1)(c)<sup>8</sup> of the ITA, 2025, a deductor, being an Individual / HUF is not required to obtain a TAN in certain

cases, which *inter alia* includes purchase of immovable property from a resident seller. An amendment has been proposed to provide that

now Individual/HUF deductors shall not be required to obtain a TAN, irrespective of the residential status of the seller.

<sup>5</sup>Corresponds to Section 194C / 194M of the ITA, 1961

<sup>6</sup>Corresponds to Sections 194, 194A and 194K of the ITA, 1961

<sup>7</sup>Corresponds to Section 197 of the ITA, 1961

<sup>8</sup>Corresponds to Section 203A of the ITA, 1961

## INDIA BUDGET 2026

Building  
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### BRICS Expansion & New Partnerships

BRICS expands its membership in 2024 by welcoming new countries, reinforcing cooperation among emerging economies and strengthening its role in the evolving multipolar global economic order.

## 8. Assessments & Returns

### *Jurisdiction for issuing re-opening and pre-enquiry notices for reassessment*

- Jurisdiction for issuing pre-enquiry notices under section 148A and consequential notice under section 148 of the ITA, 1961 has been a highly litigious issue in recent years with matter reaching to the Apex court. Accordingly, to settle the issue and make legislative intent clear, it is proposed to clarify that for the purpose of issuing pre-enquiry notice under

section 148A and notice under section 148, AO shall mean Jurisdictional Assessing Officer ('JAO') and not Faceless Assessing Officer/Assessment Units ('FAO'). Clarification to apply retrospectively from April 1, 2021. Similar amendment is proposed in the ITA, 2025.

### *Validity of assessment despite minor DIN-related defects*

- It is proposed to clarify in section 292B of the ITA, 1961 that no assessment in pursuance of any of the provisions of the ITA, 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 (DIN), if such assessment order are referenced by such number in any manner. Further, it has been

clarified that if there is reference of DIN in assessment order, it would be sufficient compliance even if there may be some minor mistakes, defects or omissions in notices or summons related to such assessment. This clarification shall apply retrospectively from October 1, 2019. Similar amendment is proposed in the ITA, 2025.

### *Extension of due dates for filing return of income for non-audit business or profession*

The due dates for filing return of income under section 263<sup>9</sup> of the ITA, 2025 for the following classes of persons, who are not required to get their accounts audited under the ITA, 2025 or under any other law for the time being in force, have been proposed to be extended from July 31 to August 31 -

- Partners of a firm
- Trusts
- Any other taxpayer carrying on business or profession

<sup>9</sup>Corresponds to Section 139(1) of the ITA, 1961

#### *Extension of period for filing of revised return*

In order to rationalize the timelines and to enable the taxpayers to revise their belated returns, it has

been proposed to allow filing of a revised return of income up to March 31 of the succeeding FY (in

place of December 31) on payment of nominal fees.

#### *Updated return to be allowed in cases where it results in reduction of losses*

An updated return is currently not permitted to be filed, where the updated return is not a return of income and is a return of loss. An amendment has

been proposed to section 263(6) of the ITA, 2025 to allow filing an updated return, where the original return filed is a return of loss and the updated

return results in reduction of such loss.

#### *Updated return to be allowed to be filed after issuance of notice of reassessment*

Currently, a taxpayer is not permitted to furnish an updated return, where the reassessment proceedings under section 280 of the ITA, 2025 or section 148 of the ITA, 1961 have been initiated. Section 263(6) of the ITA, 2025 and section 139(8A) of the ITA, 1961 are proposed to be amended to

allow the taxpayer to furnish an updated return of income, even after issuance of a notice under section 280 of the ITA, 2025 or section 148 of the ITA, 1961, as the case may be.

This shall require the taxpayer to pay an additional tax of 10% of aggregate tax and interest payable in

the updated return (over and above the tax in the range of 25% to 70% depending on the time of filing the updated return). However, such additional income shall no more form the basis for imposition of penalty.

#### *Rationalization of block assessment period for other persons*

The Bill proposes to amend section 295(2) of ITA, 2025 to limit the block assessment period for third persons where undisclosed income identified during a search pertains to such person. Under the existing provisions, third persons are subjected to

the same block period as the person searched, even where the undisclosed income relates to only a single FY, resulting in disproportionate compliance burden. The amendment seeks to rationalise the assessment framework by aligning

the block period with the relevant year(s) of undisclosed income, and will apply to searches or requisitions initiated on or after April 1, 2026.

#### *Alignment of block assessment time limit with date of initiation of search*

The Bill proposes to amend section 296 of the ITA, 2025 to rationalise the time limit for completion of block assessments by shifting the reference point from the execution of the last search authorisation to the date of initiation of search or requisition.

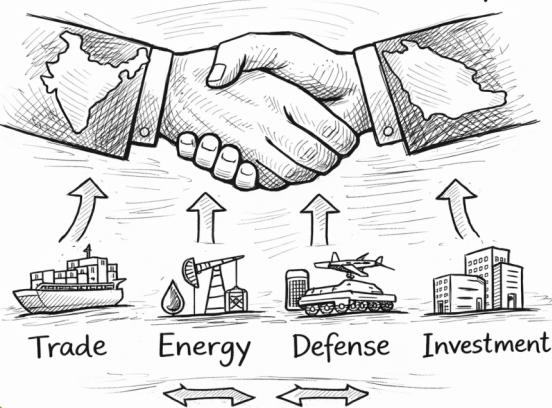
This change addresses inconsistencies in limitation periods arising in group search cases, where multiple authorisations lead to differing timelines. Consequentially, the time limit for completing block assessments is proposed to be

extended from 12 months to 18 months. The amendment will apply to searches initiated or requisitions made on or after April 1, 2026.

# INDIA BUDGET 2026

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## India - Saudi Arabia Partnership



### India-Saudi Arabia Strategic Partnership Council

India and Saudi Arabia strengthen their strategic partnership, formalised in 2019 through the Strategic Partnership Council, with cooperation spanning trade, energy, defence, and investment.

## 9. Penalties & Prosecution

### *Conversion of few penalties into fees for reducing litigations*

The Bill proposes to rationalise certain penalties by converting them into mandatory fees to reduce litigation arising from technical and procedural defaults. Accordingly, penalties for failure to get accounts audited (section 446), failure to furnish accountant's report for international or specified

domestic transactions (section 447), and failure to furnish statement of financial transactions or reportable account (section 454(1)) are proposed to be replaced with graded fee structures, linked to the period of delay.

### *Levy of penalty for under-reporting / misreporting of income within Assessment Order*

The Bill proposes to streamline the penalty mechanism for under-reporting and misreporting of income by providing that penalties under section 439<sup>10</sup> of the ITA, 2025 shall be levied directly within the assessment order, instead of separate penalty proceedings. This change aims to eliminate multiplicity of proceedings, reduce prolonged

uncertainty for taxpayers, and ensure consistency in penalty imposition. Further, it is also proposed that interest in case of under-report or mis-reporting of income shall be charged only after passing of the order by CIT(A) or ITAT (for appeal against DRP orders).

### *Penalty regarding statement of crypto-assets*

Section 509 of the ITA, 2025 requires furnishing of statement on transaction of crypto-assets. To ensure timely and accurate compliance, a penalty of Rs. 200 per day for non-furnishing of statement

and Rs. 50,000 for furnishing inaccurate particulars is proposed under section 446 of the ITA, 2025.

### *Rationalisation of tax rate and penalty for unexplained income*

The Bill proposes to rationalize the taxation and penalty framework for unexplained income. The tax rate applicable to such income is proposed to be reduced from 60% to 30%, addressing concerns of disproportionality. Further, the

penalty on such income is proposed to be subsumed within the misreporting penalty regime to make it par with the rate charged for misreporting of income.

<sup>10</sup>Corresponds to section 270A of the ITA, 1961

### *Rationalization of prosecution punishments*

In continuation with Government's efforts to decriminalise offences and to ensure proportionality between offence and punishment, the Bill proposes a comprehensive rationalisation of prosecution provisions of the ITA, 2025, covering sections 473 to 485 and section 494. These provisions currently prescribe rigorous imprisonment ranging up to seven years for

various tax-related offences.

The broad principles adopted include the replacement of rigorous imprisonment with simple imprisonment and the capping of maximum imprisonment at two years, with a limit of three years for subsequent offences. Graded punishments are introduced based on the

quantum of tax involved, while monetary penalties alone are prescribed where the tax involved does not exceed Rs. 10 lakh. Additionally, a fine may be imposed as an alternative to or in addition to imprisonment, and certain offences are fully decriminalised to reduce litigation and promote proportionality in enforcement.

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### *Extended immunity for penalty and prosecution in misreporting cases*

The Bill proposes to expand the scope of immunity under section 440<sup>11</sup> of ITA, 2025 to cover cases of under-reporting of income in consequence of misreporting, which are presently excluded. Subject to payment of tax and interest, non-filing of appeal, and timely application, immunity may

now be granted on payment of additional income-tax in lieu of penalty of 100% of tax in misreporting cases and 120% of tax in respect of unexplained income that is subsumed under the misreporting regime. The amendment aims to facilitate early dispute resolution, reduce litigation, and improve

voluntary compliance, and will be effective from April 1, 2026 for FY 2026–27 onwards for ITA, 2025 and similar amendment in section 270AA of the ITA, 1961 shall take effect from March 1, 2026.

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<sup>11</sup>Corresponds to section 270AA of the ITA, 1961



## INDIA BUDGET 2026

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### Google & Jio Digital Partnership



#### Google & Jio Platforms – Digital Ecosystem Partnership

Google and Jio entered a strategic digital partnership in 2020, marked by Google's investment in Jio Platforms, with continued collaboration in subsequent years across affordable smartphones, digital services, and cloud-led connectivity solutions.

## 10. International Financial Services Centre (IFSC) and Funds

### *Enhanced tax incentives for IFSC units and OBUs*

To strengthen the global competitiveness of IFSCs, it is proposed to extend the tax holiday for eligible IFSC units and Offshore Banking Units (OBUs). The period of 100% deduction will be increased to 20 consecutive years out of 25 years for IFSC units

and 20 years for OBUs. Further, any business income earned after the expiry of the deduction period will be taxed at a concessional rate of 15%, effective from FY 2026-27 onwards.

### *Rationalization of deemed dividend provisions*

To streamline the dividend exclusion applicable to intra-group advances or loans in case of finance companies, it is proposed to amend the definition of "dividend" to tighten eligibility conditions. At present, only the parent or principal entity of the group is required to be listed on a stock exchange outside India. Going forward, while the one group entity is to be a finance company or finance unit, the other group entity is also to be located in notified jurisdictions outside India. Further, the

parent or principal entity of the group must be listed on a foreign stock exchange, as notified by the Central Government. The amendment also formally aligns the definitions of "group entity" and "parent/principal entity" with the IFSC regulatory framework, thereby providing greater certainty and consistency for units operating in IFSCs.

## 11. Co-operatives

### *Definition of co-operative society*

Currently, a 'co-operative society' is defined as a co-operative society registered under the Cooperative Societies Act, 1912, or under any other law in force in any State or Union territory

### *Deductions for Dividend*

Section 149(2)(d) of the ITA, 2025 presently allows a deduction to a cooperative society in respect of interest or dividend income received from another cooperative society, but only under the old tax regime, while dividends received from companies are fully taxable. To provide parity and to support the cooperative sector, it is proposed to allow

for the registration of co-operative societies under the existing provisions of section 2(32) of the ITA, 2025. This definition is proposed to be amended to include the co-operative societies

which are registered under the Multi-State Cooperative Societies Act, 2002.

deduction in the new tax regime for dividends received by a cooperative society from other cooperative societies, to the extent such dividends are further distributed to its members.

In addition, a time-bound deduction is proposed for dividends received by notified federal

cooperatives from companies, which shall be available for a period of three years up to FY 2028-29 under both the old and new tax regimes, provided such dividends arise from investments made up to January 31, 2026 and are subsequently distributed to members.

### *100% deduction of profits from supplying cattle feed and cotton seeds*

Section 149(2)(b) of the ITA, 2025 currently provides a deduction of the entire profits and gains of business to a primary co-operative society engaged in supplying milk, oilseeds, fruits, or vegetables grown by its members to specified entities such as federal co-operative societies,

Government, local authorities, or Government companies engaged in the same business. Since members of primary co-operative societies also undertake similar allied activities such as supplying cattle feed and cotton seeds, it is

proposed to extend the scope of this provision to include profits and gains arising from such activities, thereby allowing the corresponding income to qualify for deduction under section 149(2)(b) of the ITA, 2025.

### *Deduction of tax at source*

It is proposed to amend section 393(4) of the ITA, 2025 to provide for no TDS 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), in line with the ITA, 1961.



## 12. Foreign Assets of Small Taxpayers - Disclosure Scheme 2026 – (FAST-DS 2026)

### *One-time legacy disclosure scheme for foreign assets and income*

A time-bound scheme under the Black Money Act is proposed to encourage voluntary compliance by small taxpayers with legacy or inadvertent non-disclosures of foreign assets or foreign-sourced income, allowing declaration on payment of tax or fee with limited immunity from penalty and prosecution, while excluding cases involving prosecution or proceeds of crime.

Under the scheme, where the aggregate value of undisclosed foreign assets and income does not exceed Rs. 1 crore, tax at 30% along with an additional amount equal to 100% of such tax shall be payable, and where undisclosed foreign assets, acquired from non-resident income or income already taxed in India, do not exceed Rs. 5 crores, a fee of Rs. 1 lakh shall be payable.

## 13. Others

### *Non-allowability of interest expense from dividend and mutual funds income*

Under the current provisions, deduction of interest expenditure from dividend income and income from units of mutual fund is allowed up to 20% of such income. However, such income being in

nature of passive investment receipts, allowability of interest expenditure from dividend and income from mutual fund units is proposed to be removed with effect from April 1, 2026.

### *Tonnage Taxation Scheme*

Vide the Finance Act, 2025, benefit of tonnage tax scheme was extended to inland vessels registered under Inland Vessels Act, 2021. Consequential amendments are proposed to align

the tonnage tax provisions with the Inland Vessels Act, 2021 and rules thereunder, following extension of the tonnage tax scheme to inland vessels.

## 14. Trust Taxation

### *Alignment of provisions with ITA, 1961*

- In order to align the tax implication in case of merger of Non-profit Organizations ('NPOs') as provided in section 12AC and 115TD of the ITA, 1961, section 352(4) of the ITA, 2025 is proposed to be amended and a new section 354A is proposed to be introduced to provide for similar exemption from exit tax in case of merger of NPOs with other NPOs having similar objectives.
- Registered non-profit organisation, carrying out advancement of any other object of general public utility are allowed to carry out the commercial activities on fulfilment of few conditions within limit of 20% of total receipts. In the ITA, 2025, carrying out of such commercial activity in violation of these prescribed conditions and beyond limit of 20% is considered as specified violation which may result into cancellation of registration. It is proposed to remove such violation from definition of specified violation so as to avoid implication of cancellations of tax exemption registration of such NPOs.
- Filing of belated income tax return proposed to be allowed to NPOs in the ITA, 2025 in line with the provisions of the ITA, 1961.

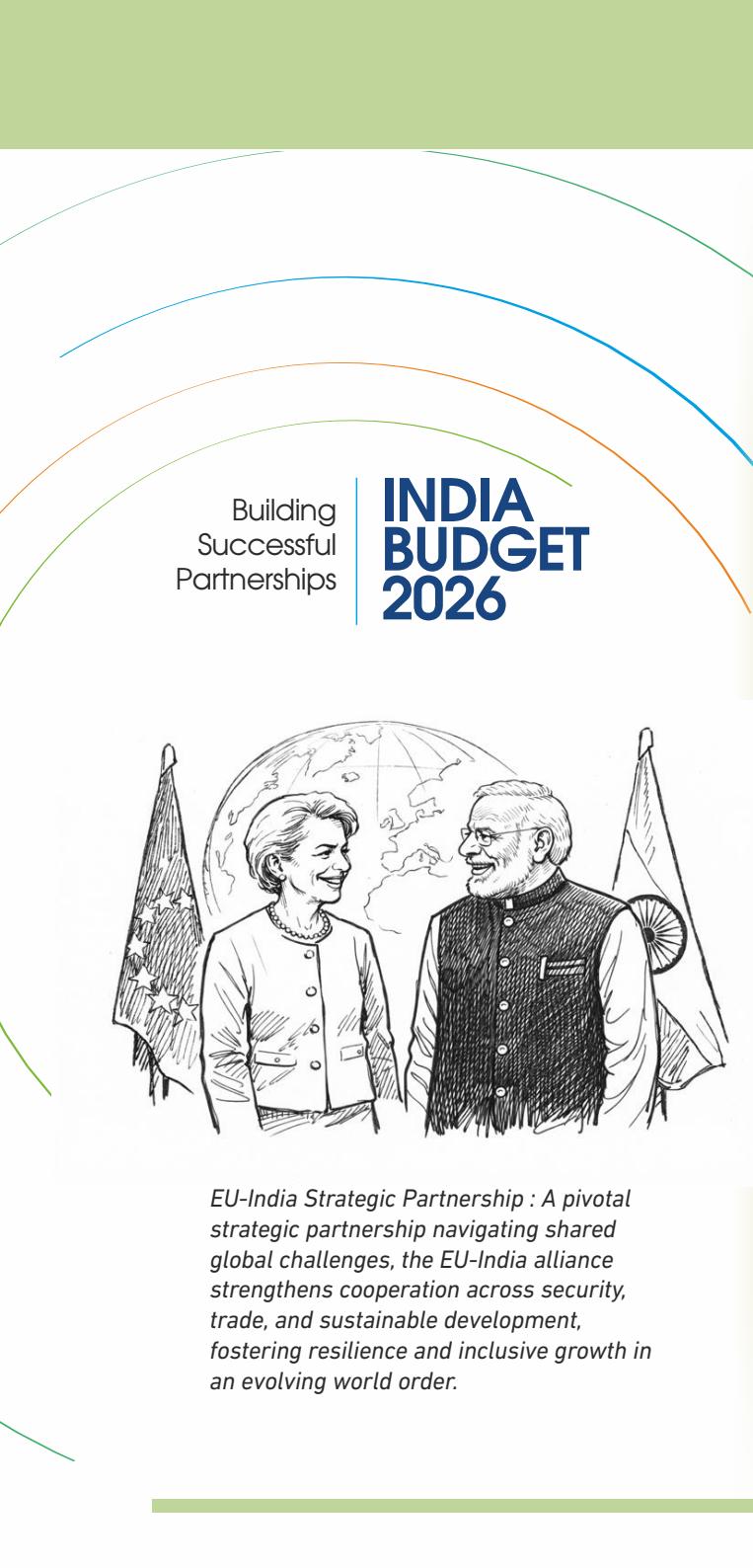
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### *House Property*

- In line with the provisions of the ITA, 1961, correction is proposed in section 21(5) of the ITA, 2025 to provide that annual value of property held as stock-in-trade to be taken as nil upto two years from the end of the financial year in which certificate of completion of construction is obtained from the competent authority.
- Amendment proposed in section 22(2) of the ITA, 2025 to provide that aggregate amount of

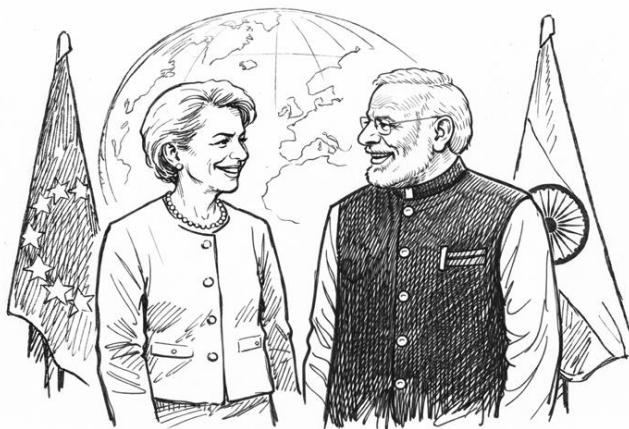
deduction for interest on borrowed capital in case of self-occupied house property shall be inclusive of prior period interest payable, similar to the provisions of the ITA, 1961.

# INDIRECT TAX



# INDIA BUDGET 2026

Building  
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*EU-India Strategic Partnership : A pivotal strategic partnership navigating shared global challenges, the EU-India alliance strengthens cooperation across security, trade, and sustainable development, fostering resilience and inclusive growth in an evolving world order.*

## 1. Goods and Services Tax

All proposals are pertaining to Central Goods & Services Tax Act,2017 and Integrated Goods & Services Tax Act,2017. These shall be effective from a date to be notified post President's assent to the Bill except where specifically mentioned.

### *Section 15 of CGST Act,2017 – Valuation:*

Post-sales discounts to be excluded from GST valuation only on issuance of credit note with

To give effect to the recent GST Council Recommendations, following legislative amendments are proposed via Finance Bill 2026 aimed at simplifying compliance and improving efficiency.

mandatory ITC reversal by the recipient, pre-agreement condition dropped.

### *Section 54 of CGST Act, 2017 - Refunds:*

- Provisional refunds extended to inverted duty structure (IDS) cases i.e. Taxpayers with accumulated ITC due to IDS will now be eligible for 90% provisional refund.
- This will lead to a major working capital relief and faster liquidity without waiting for full scrutiny.

- The minimum threshold of 1,000 for export refund claims has been removed, allowing small-value export consignments to claim refunds seamlessly.

### *Section 101A of CGST Act,2017 - Litigation:*

A new transitional mechanism is introduced where existing authorities can hear appeals pending before the National Anti Profiteering

Authority (NAA) until the GST tribunals become operational.

### *Section 13 of IGST Act, 2017 – Intermediary Services:*

The place-of-supply (POS) for intermediary services will now be determined as per the default rule under Section 13(2) i.e. location of the

recipient. This aligns such services with export norms.

## 2. Customs

[All the amendments (except rate changes) to be effective from a date to be made effective upon receipt of President's assent to the Finance Bill except where specifically mentioned]

- The validity period of an Advance Ruling under section 28J of the Customs Act, 1962 has been proposed to be extended from three years to five years
- It has been proposed to amend section 28(6) of Customs Act, 1962 to provide that the payment referred to as penalty under section 28(5), upon determination under section 28(6), shall now be deemed to be a "charge" to ensure taxpayer friendly framework
- Simplification of warehousing provisions i.e. the owner of warehoused goods may remove goods from one warehouse to another leading to reduced procedural hurdles and compliance frictions
- Concessional duty facility for SEZ manufacturing units to sell in Domestic Tariff Area (DTA)
- Custom Integrated System platform to be introduced for all custom processes for faster and trusted import clearances
- It has been proposed to extend the export time limit from 6 months to 1 year for leather & textile garments, leather/synthetic footwear, and other leather products
- A comprehensive overhaul of baggage rules is proposed to safeguard the interests of bona fide passengers
- The duty deferment period for Tier-2 and Tier-3 AEO importers has been increased from 15 days to 30 days. AEO accreditation to be used as an eligibility criterion for procedural ease



### 3. Customs Duty Rate Changes

[The changes in Customs Tariff Act proposed through Finance Bill shall have effect from w.e.f. February 2, 2026 except certain rates which shall apply from April 1, 2026 and May 1, 2026, as specifically notified]

- Most of the concessional Basic Customs Duty (BCD) Rates are being migrated from exemption notifications into the First Schedule which will be effective from May 1, 2026
- Certain conditional customs exemptions carrying sunset clauses expire on March 1, 2026 and, unless extended, cease to be effective from April 1, 2026
- With respect to Social Welfare Surcharge (SWS), consequential amendments have been carried out to align SWS exemptions with the shift of concessional Basic Customs Duty rates into the Customs Tariff. This ensures that the effective incidence of SWS remains unchanged. The amendments also continue the exemption for specified goods and provide for the inclusion of SWS on personal imports under Heading 9804 from the notified date.

*Sector-wise key changes in Customs Duty rates:*

- **MSME & Consumer Goods**
  - Tariff rate (revised) on umbrellas (other than garden umbrellas) to 20% or sixty rupees per piece, whichever is higher
  - Tariff rate (revised) on parts, trimmings and accessories of umbrellas to 10% or twenty five rupees per kg, whichever is higher
- **Personal Imports**
  - BCD on all dutiable goods imported for personal use (CTH 9804) reduced from 20% to 10%, effective April 1, 2026
  - Social Welfare Surcharge to apply on such imports from the same date
- **Agricultural & Food Products**
  - Tariff rate on almonds and walnuts in shell reduced from Rs. 120/kg to Rs. 100/kg
  - Tariff rate on seeds, fruit and spores for sowing reduced from 30% to 15%
  - Tariff rate on other prepared/preserved nuts reduced from 150% to 30%
- **Minerals, Ores & Natural Inputs**
  - Tariff rate on natural graphite, quartz and quartzite reduced from 5% to 2.5%
  - Tariff rate on natural sands (non-metal bearing) reduced from 5% to Nil

**• Critical Minerals & Chemical Inputs**

- Tariff rate on cobalt oxides and hydroxides reduced from 7.5% to Nil
- Tariff rate on selenium and tellurium reduced from 5% to Nil
- Tariff rate on silicon dioxide reduced from 7.5% to 2.5%
- Tariff rate on strontium and nickel compounds reduced to Nil

**• Electronics & Engineering Goods**

- Tariff rate on reactors, columns and chemical storage tanks reduced from 10% to 7.5%
- Tariff rate on battery separators structured at 5%
- Tariff rate on RO membrane elements continued at concessional rate

**• Metals, Scrap & Alloy Inputs**

- Tariff rate on lead waste & scrap, zinc & scrap and cobalt powders reduced from 5% to Nil
- Tariff rate on unwrought and scrap alloy metals reduced to Nil

**• Pharmaceutical & Medical Sector**

- Tariff rate on pharmaceutical reference standards and specified medical inputs continued under concessional/exemption framework

- Tariff rate exemption extended to additional life-saving drugs and medicines through notification list expansion

- Tariff rate on raw materials for manufacture of medical devices, implants and diagnostic kits continued at concessional rates (validity extended)

**• Automobile & Mobility Sector**

- Tariff rate on lithium-ion battery inputs reduced to Nil
- Tariff rate on critical mineral inputs for EV ecosystem reduced to Nil

**• Toys Sector**

- Tariff rate on parts of electronic toys, with respect to Social Welfare Surcharge (SWS), has been exempted
- Tariff rate on toy manufacturing components continued under concessional framework

**• Nuclear Power & Atomic Energy Sector**

- Tariff rate on all goods for nuclear power generation reduced from 7.5% to Nil
- Tariff rate on control rods, protector absorber rods and burnable absorber rods reduced from 7.5% to Nil
- Project import benefits for nuclear power projects expanded irrespective of capacity and validity extended up to September 30, 2035

**• Aircraft, Aviation & MRO Sector**

- Exemption on tariff rate extended to raw materials and parts for manufacture and maintenance, repair and overhaul (MRO) of aircraft and aircraft components
- Exemption on tariff rate provided for aircraft components imported by eligible PSUs under Ministry of Defense subject to IGRCS procedure
- Tariff rate on pneumatic tyres of rubber used in aircraft continues under concessional structure
- Tariff rate concessions continued for aircraft parts, engines, simulators and related equipment (validity extended)

Building  
Successful  
Partnerships

## INDIA BUDGET 2026



*Ashoka University and the University of Oxford collaborate through academic and research engagements, most notably via a partnership between Ashoka's Centre for the Creative and the Critical (CCC) and The Oxford Research Centre in the Humanities (TORCH), enabling jointly-run courses, seminars, and cross-institutional scholarly exchange.*

## 4. Central Excise

- Exemption from levy of excise duty on the value of biogas / Compressed Biogas (CBG) in blended Compressed Natural Gas (CNG) and the GST paid thereon is excluded from transaction value, effective February 2, 2026
- The proposed additional excise duty of Two rupees per litre on unblended diesel is deferred up to March 31, 2028, maintaining the current duty position

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