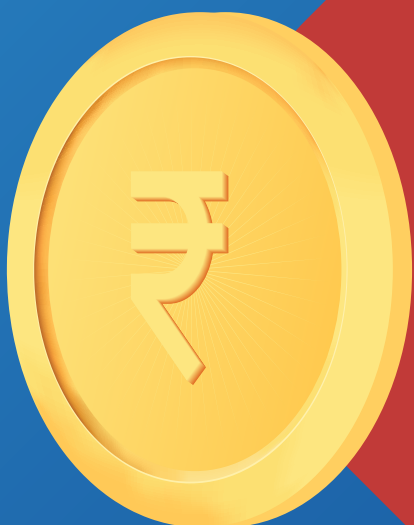




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Highlights of the

UNION BUDGET 2026-27

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BUDGET OVERVIEW

India's Union Budget 2026–27 marks a structural, business-friendly reset of India's tax and policy framework, reinforcing the country's position as a stable, fast-growing and reform-oriented economy. Anchored in ~7% GDP growth and continued public capital expenditure, the Budget maintains fiscal discipline while deepening focus on manufacturing, infrastructure, SMEs and digital public infrastructure to support long-term investment and global value-chain integration.

A central reform is the replacement of the Income-tax Act, 1961 with the new Income-tax Act, 2025, effective 1 April 2026, repositioning the new regime as the primary framework with emphasis on simplification, certainty and reduced litigation. For corporates, making Minimum Alternate Tax a final tax with a reduced 14% rate under the new regime significantly improves cash-flow predictability. From a compliance perspective, the due date for filing revised returns is extended up to 31 March, and the updated return framework is expanded, allowing taxpayers to regularise past positions within a defined window on payment of an additional tax, enhancing voluntary compliance and reducing disputes. Rationalisation of TDS/TCS provisions further eases administrative friction.

Budget 2026 brings significant reforms in direct tax assessments and penalties, including independent DRP timelines under Section 144C, clarification on DIN-related defects, clarification on JAO vs FAO issue, allowance for updated returns after reassessment notices, and rationalization of prosecution and penalties under the Black Money Act. These measures aim to enhance compliance, reduce litigation, and ensure greater procedural clarity and simplicity in the process. Further, the changes proposed relating to transfer pricing provisions such as making safe harbour rules attractive, fast tracking APAs will bring greater certainty for MNCs. Further, Budget 2026 also reflects the increasing focus of government to bring down the scope of prosecution under tax laws.

On the capital markets side, the Budget proposes an increase in Securities Transaction Tax (STT) rates, signaling a calibrated revenue-balancing measure that market participants will need to factor into trading and investment strategies. In indirect taxes, customs and GST reforms focus on tariff simplification, improved input tax refund flows and reduced working capital blockage. Overall, Budget 2026–27 reflects a decisive, investment-oriented shift, offering greater predictability and stability while requiring businesses and investors to reassess tax positions, compliance timelines and transaction costs.

NON-TAX PROPOSALS

1. The government proposes an allocation of INR 100 billion over 5 years for Biopharma SHAKTI to develop India as a global hub for biologics and biosimilars, including new institutes, clinical trial infrastructure, and stronger regulatory support.
2. INR 400 billion is proposed under the Electronics Components Manufacturing Scheme to accelerate domestic manufacturing, increase value addition, and scale up production capabilities.
3. India Semiconductor Mission 2.0 will enhance domestic semiconductor capabilities in equipment, materials, IP design, and workforce development.
4. Dedicated Rare Earth Corridors will be developed in mineral-rich states to promote mining, processing, research, and manufacturing of critical minerals.
5. ICAI, ICSI, ICMAI to get government support to develop “Corporate Mitras” to help MSMEs meet compliance requirements at affordable costs.
6. INR 10 billion SME Growth Fund, along with enhanced TReDS-based financing, will support the creation of “Champion MSMEs” and improve access to capital for small and medium enterprises.
7. Public capital expenditure is proposed at INR 12.2 trillion in FY 2026–27 to sustain infrastructure-led growth, supported by an Infrastructure Risk Guarantee Fund to provide partial credit guarantees and de-risk private investment during construction.
8. INR 5 billion per City Economic Region over 5 years will be allocated to strengthen Tier-II and Tier-III cities as new economic growth hubs.
9. Seven high-speed rail corridors, together with expansions in Dedicated Freight Corridors, National Waterways, and coastal shipping, will improve inter-city mobility, regional integration, and logistics efficiency.
10. INR 20 billion over 5 years will be invested in Carbon Capture, Utilisation, and Storage projects across key industrial sectors.
11. A High-Level Committee on Banking for Viksit Bharat will guide the next phase of financial sector reforms, and a High-Powered Education-to-Employment Committee will strengthen the services sector as a driver of growth, employment, and exports.
12. Large-scale capacity creation in healthcare and allied sectors, including training of allied health professionals, caregiver programs, and medical value tourism hubs, will be undertaken.
13. Significant support will be provided for tourism and cultural infrastructure, including heritage site development, eco-tourism trails, and guide skilling programs.

DIRECT TAX PROPOSALS

Personal Tax

Employee Contribution to Welfare Funds: It is important to mention that, employee contributions were deductible only if deposited within the statutory due date under labour laws. It has been proposed that employee contributions to welfare funds shall be allowed as a deduction if credited to the relevant fund on or before the due date for filing the return of income under section 263(1), instead of the statutory due date under labour laws.

Additional tax on Capital Gains of

Promoters: It has been proposed that capital gains earned by promoters from specified securities shall be subject to an additional capital gain tax, at 2% (STCG) and 9.5% (LTCG) for domestic companies and 10% (STCG) and 17.5% (LTCG) for other promoters.

Conditional Exemption on Sovereign Gold

Bonds: It has been proposed that capital gains exemption on Sovereign Gold Bonds shall be allowed only where the bonds are held by an individual from the date of original issue until maturity.

Timelines for Deductions Increased

(Offshore Banking Units and IFSC): It has been proposed that deductions for Scheduled Banks or a bank incorporated under the laws of a country outside India, and having an Offshore Banking Unit in the SEZ and ISFC shall be allowed for 20 consecutive tax years from the relevant tax year, or 20 out of 25 years at the assessee's option. For units commencing on or after 1 April 2026, the proposed deduction shall apply only if the unit is not formed through splitting, reconstruction, reorganization, or transfer of an existing Indian business.

Rationalization of Tax Rate on Unexplained

Income: It has been proposed to rationalize the taxation of unexplained income by replacing sections 68–69D of the Income-tax Act, 1961 with section 195(1)(i) under the

Income-tax Act, 2025, reducing the tax rate from 60% to 30%.

Restriction of Deductions on Dividend

Income: It has been proposed that, no deduction will be allowed for expenses related to earning dividend income. Further, expenses incurred to earn dividend income from specified Mutual Funds or units of specified companies under the UTI Act were allowed as a deduction, limited to 20% of such income. However, the proposed amendment removes this 20% cap, making the full dividend income fully taxable. As a deduction this partial benefit is now proposed to be removed.

Extension of Due Date for Non-Audit

Business taxpayers, etc.: Due date of return filing in case of non-audit business or profession taxpayers and partners of a firm whose accounts are not required to be audited or the spouse of such partner has been extended from 31 July to 31 August.

Extended Timeline for Revised Return: The revised return filing window is extended from 9 to 12 months from the end of the relevant tax year, enabling taxpayers filing belated returns to revise them with a nominal fee applicable (i.e. 31st March).

Updated Return Allowed for Reduction of

Loss: It has now been proposed to expand the scope of updated returns by allowing filing where the taxpayer reduces previously claimed losses and where an updated return is furnished in pursuance of a re-assessment.

Higher Additional Tax for Updated Return

Filed After Reassessment Notice: It has now been proposed that where an updated return is filed in response to a notice under Section 280, an additional 10% tax is levied over and above the existing 25%–70% slab while protecting such income from penalty exposure.

DIRECT TAX PROPOSALS

Tax Deducted & Collected at Source (TDS/TCS)

Below table shows the proposed changes in the threshold limit of TDS/TCS:

Nature of Receipt / Remittance	Current Rate	Proposed Rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal, lignite, iron ore)	1%	2%
LRS remittances exceeding INR 1 million (education / medical)	5%	2%
LRS remittance for overseas tour package	5% up to INR 1 million; 20% above INR 1 million	2%

Cooperative Banks: Interest income (other than interest on securities) paid or credited by cooperative societies engaged in banking is proposed to be exempt from TDS.

Electronic Lower or Nil Deduction

Certificates (LDC): It has been proposed that payees to apply for lower or nil deduction certificates electronically before a prescribed Income-tax authority. Such certificates may be issued based on electronic verification of the application details.

Centralized Declarations through Depositories:

- Investors earning income from multiple securities or units will be permitted to submit non-deduction declarations (such as Form 15G/15H) directly with a depository. The depository will, in turn, share these declarations with the relevant income-paying entities.

- Entities receiving such declarations will now be required to report them to the Income-tax authorities every quarter.
- Supply of Manpower: It has been proposed to expressly include “supply of manpower” within the definition of “work” for the purposes of deduction of tax at source, thereby clarifying applicability of TDS at 1% (in case of individual or HUF) and 2% (in other cases).

Purchase of Property from Non-Residents:

Resident individuals purchasing immovable property from non-residents are presently required to obtain a TAN. The Bill proposes to dispense with the TAN requirement for such transactions, thereby simplifying compliance for one-time buyers.

DIRECT TAX PROPOSALS

Changes Related to Corporates

Insurance Sector:

Non-life insurance companies will be allowed to claim deductions for expenses in the year in which TDS is actually paid, even where there was a failure to deduct or remit such tax in an earlier year.

Specified transactions involving group entities:

It has been proposed to streamline provisions on group entities by expressly covering cross-border intra-group loans involving Finance Companies or Finance Units and aligning the definitions of “group entity” and “parent/principal entity” with the IFSCA (Payment Services) Regulations, 2024.

New Penalty Regime for Crypto-Asset Reporting:

It is proposed that person who fails to file a crypto-asset statement on time may be fined INR 200 per day, and INR 50,000 for providing inaccurate information or not following due diligence.

Key Changes Related to Tax Assessment, Appeal, Penalty, etc.

Rationalisation of Tax Offences: The Finance Bill decriminalises specified technical TDS defaults, relaxes criminal consequences for procedural lapses, and replaces stringent imprisonment provisions for non-payment cases with a graded and proportionate penalty and punishment framework linked to the quantum involved.

Decriminalisation of Technical Defaults: Certain technical failures, including non-credit of TDS in respect of specified winnings or perquisites (such as lotteries or business benefits), are proposed to be fully decriminalized.

Graded and Proportionate Punishment: For other defaults involving non-payment of deducted tax, the Bill proposes to replace the existing “rigorous imprisonment” provisions with simple imprisonment, along with a graded penalty framework linked to the quantum involved. Penalties for technical non-compliance, such as failure to produce documents or accounts, have also been substantially decriminalized.

Graded Punishment Framework for Specified Tax Offences: It is proposed to introduce a uniform graded punishment structure for specified offences under the Income-tax Act, including failure to deposit TDS or collected tax, non-payment of tax on online gaming winnings or virtual digital assets, wilful tax evasion or under-reporting, evasion of payment of tax/penalty/interest, and wilful failure to file return of income (Sections 476, 477, 478 and 479). The punishment will be as follows:

- Tax exceeds INR 50 lakh: Simple imprisonment up to 2 years or fine or both
- Tax exceeds INR 10 lakh but does not exceed INR 50 lakh: Simple imprisonment up to 6 months or fine or both
- Tax up to INR 10 lakh: Fine only

DIRECT TAX PROPOSALS

Key Amendments under Black Money Act Provisions

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026: To promote voluntary compliance and facilitate closure of legacy cases involving small taxpayers, the Budget proposes a time-bound voluntary disclosure scheme for foreign assets and foreign-sourced income. Undisclosed foreign assets or income with an aggregate value up to INR 1 crore may be regularised on payment of tax at 30 percent along with a penalty equal to 100 percent of the tax, resulting in an effective outgo of 60 percent. Where foreign assets were acquired during a non-resident phase or from income already subjected to tax in India but were not reported upon becoming resident, the scheme allows regularisation on payment of a nominal fee of INR 1 lakh for assets valued up to INR 5 crore.

The scheme offers limited immunity from penalty and prosecution under the Black Money Act for disclosures made, while expressly excluding cases involving prosecution or proceeds of crime.

Relaxation of prosecution under the Black Money Act for small taxpayers: Sections 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have been amended to provide that prosecution under these sections will not be initiated where the total value of such assets (other than immovable property) does not exceed Rs 20 Lakhs. The change is retrospective in nature.

Transfer Pricing Changes

Safe Harbour Scheme for Transfer Pricing:

- The new bill has consolidated software development, IT-enabled services, contract R&D, and KPO into a single “Information Technology Services” category with a uniform 15.5% safe harbour margin and an enhanced turnover limit of INR 2,000 crore, available through an automated process for up to five years.
- Budget also includes new safe harbours i.e. 15% cost-plus margin for related-party data centre services and a 2% margin for non-residents using bonded warehouses. The definition of “Accountant” has also been rationalised for safe harbour purposes.

Rationalization in time limit for passing Transfer Pricing Order - Section 92CA(3AA): A new Section 92CA(3AA) specifies how the 60-day limitation for passing a TPO order under Section 92CA(3A) is computed. If the limitation

expires on 31 March of a non-leap year, the TPO may issue the order up to 30 January; if it expires on 31 March of a leap year, the deadline is 31 January; and if it expires on 31 December, the order may be passed up to 1 November of that year.

Fast Tracked Advance Pricing Agreement (APA) and scope expanded to AE: Associated Enterprises now may file modified returns under Section 169 within three months of the month of signing an agreement, for agreements executed on or after 1 April 2026 and applicable to tax years beginning 1 April 2026 onward, to claim refunds of excess tax paid or withheld.

Further, a fast-track unilateral APA process has been introduced for IT services, targeted for completion within two years, extendable by six months at the taxpayer’s request.

DIRECT TAX PROPOSALS

Other Key Changes

Amendment to Transitional Provisions: Any amount allowed as a deduction or excluded from total income in a tax year prior to 1 April 2026, which becomes taxable in a subsequent year due to violation of conditions or otherwise, shall be deemed to be the income of such subsequent tax year.

Broadening of Exempt Income Scope: It has now been proposed to amend and insert additional categories of exempt income, including:

- Disability pension to armed forces personnel invalided out of service
- Interest on compensation awarded by the Motor Accident Claims Tribunal
- Compensation received on compulsory acquisition of land under the specified legislation.

Introduction of Strategic Exemptions: It has now been proposed that:

- Foreign companies providing capital goods, equipment or tooling to Indian contract manufacturers for electronic manufacturing will get exemption on such income, subject to conditions.
- Certain non-resident individuals (for consecutive 5 years) visiting India for the first time to render services under government-notified schemes will get exemption on their foreign income for a period for 5 years .
- Notified foreign companies procuring data center services from specified Indian data centers through Indian reseller entities will get tax holiday upto 2047 on such income, subject to prescribed conditions and timelines.

Computation of profit and gains of other insurance income: It has now been proposed to amend and clarify that amounts disallowed under transitional provisions shall be allowed as deduction in subsequent tax years.

JAO vs FAO - Clarification on Jurisdiction for Issuance of Reassessment Notices (Sections 148 & 148A): The Union Budget proposes to clarify that the power to conduct pre-assessment enquiry and issue notices under sections 148A and 148 of Income-tax Act, 1961 (“ITA 1961”) [section 280 and 281 of Income Tax Act, 2025 (“ITA 2025”) for income escaping assessment rests solely with the jurisdictional Assessing Officer and not with the National Faceless Assessment Centre or its units. This amendment aims to resolve conflicting judicial views, reduce litigation, and ensure certainty by clearly demarcating pre-assessment and faceless assessment functions, with retrospective effect from 1 April 2021 under the ITA 1961 and prospectively from 1 April 2026 under the ITA 2025. It may be noted that the assessment order would still be passed by NFAC.

Clarifying time-limit for completion of assessment under section 144C: To address interpretational disputes and conflicting judicial views on assessment timelines in cases involving transfer pricing issues and non-residents, the Budget clarifies that the limitation period under sections 153/153B applies only up to issuance of the draft assessment order, while the timeline for passing the final assessment order is governed by Section 144C [Section 275 OF ITA, 2025]. Accordingly, upon receipt of DRP directions, the Assessing Officer has one month from the end of the month to pass the final order. The clarification applies retrospectively and it is also reflected through corresponding amendments in sections 153 and 153B (time limit for search or requisition cases).

DIRECT TAX PROPOSALS

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: In a move to strengthen procedural certainty. The Finance bill 2026, has proposed a clarification to Section 292B of the ITA 1961 [Section 522 of ITA, 2025] to ensure that assessments cannot be invalidated due to minor mistakes, defects, or omissions in quoting computer-generated DIN, provided the assessment is referenced by the DIN in any manner. Effective retrospectively from 1 October 2019, this safeguards assessments, reduces litigation, and reinforces that procedural defects cannot override legislative intent. This amendment will eliminate the diverse range of litigation on this aspect.

Budget proposes allowing updated return filing after reassessment notice: The Budget proposes to amend the law to permit filing of an updated return in response to a reassessment notice issued under Section 280 of ITA 2025[148 of ITA 1961], within the specified time. While this comes with an additional 10% tax over and above the applicable tax and interest, the proposal provides meaningful relief by granting immunity from penalty on the income so disclosed.

Imposition of penalty for under-reporting or misreporting of income within Assessment Order: The Union Budget 2026 has proposed a structural reform by enabling integration of penalty under section 270A of the ITA 1961 within the assessment order itself, thereby eliminating multiple proceedings and appeals. However, adequate opportunities will be provided to taxpayers before levy of penalty at the stage of assessment only. Further, interest on disputed tax demand arising on penalty order under Section 220(2) of ITA 1961, is proposed to be charged only after disposal of appeal by the Commissioner (Appeals) or ITAT, as applicable.

Immunity from penalty and prosecution under Section 270AA of Income tax Act, 1961[440 of ITA 2025] extended to cover misreporting of income [Clause 15 of the Finance Bill]: The Union Budget 2026 proposes to expand immunity under Section 270AA of the Income-tax Act, 1961 by extending relief from penalty and prosecution even to cases where under-reporting of income is in consequence of misreporting, subject to payment of prescribed additional tax. Earlier, such immunity was available only for under-reporting cases. This amendment provides a clear and time-bound settlement option, reduces litigation, and offers greater certainty to taxpayers opting for compliance.

Rationalisation of tax rate under section 195 of ITA 2025 [Section 68 to 69D of ITA 1961] in relation to unexplained Income:

Corresponding to sections 68 to 69D of the ITA 1961, Finance Bill has proposed reduction in tax rates on unexplained credits, investments, assets, expenditure and certain borrowings from 60% to 30%. This will bring down the instance of overuse of harsh provisions of section 68 and section 69 of ITA, 1961 by the tax officers. Further, penalty to be imposed at 200% in these cases.

Referencing the time limit to complete block assessment to the initiation of search or requisition: Section 296 ITA 2025 [Section 158BE of the ITA, 1961] provides for time limit for completing a block assessment. Union Budget, 2026 proposed to amend the section 296 of the ITA, 2025 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.

DIRECT TAX PROPOSALS

Rationalizing the block period in case of other persons [Section 295 of the ITA 2025/ 158BD of ITA 1961]: It is proposed to amend sub-section (2) of the said section so as to limit the period of block assessment in case of third party where incriminating material has bearing on the undisclosed income of only a single tax year immediately preceding the tax year in which search is initiated or requisition is made.

Proposed Conversion of Penalties into Mandatory Fee: Earlier, failure to comply with provisions such as tax audit requirements, furnishing of Form 3CEB, or submission of Statement of Financial Transactions (SFT) attracted penalties INR 1.5 lakh for non-conduct of tax audit, INR 1 lakh for non-filing of Form 3CEB, and INR 500 or INR 1,000 per day for delay in SFT filing. However, these penalties were discretionary in nature and subject to reasonable cause, leading to uncertainty for taxpayers. Union budget 2026 has proposed to convert all the above penalties into mandatory fees and accordingly, the element of discretion has been removed. The conversion of certain penalties into mandatory fees marks a significant shift in the compliance framework under the tax laws.

Rationalization of prosecution proceedings:

The Income-tax Act, 2025 proposes a major rationalisation of prosecution proceedings [Section 473 to 485 & 494 of ITA 2025] by continuing the decriminalisation agenda and making punishments proportionate to the offence. Several offences are decriminalised, rigorous imprisonment is largely replaced with simple imprisonment, maximum jail terms are significantly reduced and graded penalties linked to the amount of tax involved are introduced. These changes aim to reduce hardship, improve ease of compliance and focusing criminal action on serious tax evasion cases, effective from 1 April 2026.

▶ INDIRECT TAX PROPOSALS

1. The Customs Act, 1962

Extension of Customs Act Jurisdiction:

- Amendment to Section 1(2) of the Customs Act, 1962 to expressly extend the jurisdiction of the Act beyond the territorial waters of India for fishing and fishing-related activities carried out by Indian-flagged fishing vessels.
- As per the Finance Bill text, the scope of the Customs Act will now apply not only to the “whole of India” but will also cover fishing and allied activities undertaken by Indian flagged vessels operating beyond India’s territorial waters.
- The said amendment has been brought to support Indian fishermen to fully harness the economic value of marine resources beyond the territorial waters of India.

Introduction of definition of Indian Flagged Ship:

- Amendment to Section 2 of the Customs Act, 1962 by inserting a new clause (28A) to define the term “Indian-flagged fishing vessel.”
- As per the proposed definition, an “Indian-flagged fishing vessel” means a vessel which is used or intended to be used for the purpose of fishing in the seas and is entitled to fly the flag of India.
- This definitional insertion is an enabling measure that complements the amendment extending the jurisdiction of the Customs Act to fishing and fishing-related activities carried out beyond India’s territorial waters.

Special Customs Provisions for Fishing Activities by Indian-Flagged Vessels Beyond Territorial Water:

- A new section 56A is proposed to be inserted in the Customs Act to provide special provisions for fishing and fishing-related activities carried out by Indian-flagged fishing vessels beyond the territorial waters of India.

- Fish harvested beyond India’s territorial waters by such vessels may be brought into India without payment of customs duty, and fish landed at a foreign port shall be treated as export of goods, in the manner prescribed.

Extension of Validity of Advance Rulings under the Customs Act:

- The Finance Bill, 2026 proposes to amend sub-section (2) of Section 28J of the Customs Act, 1962 to extend the validity of advance rulings from the existing period of three years to five years, or till there is a change in law or facts on the basis of which the ruling was pronounced, whichever is earlier.
- Further, the proviso to Section 28J(2) is proposed to be substituted to provide that in respect of any advance ruling in force on the date of Presidential assent to the Finance Bill, 2026, the Authority shall, upon a request by the applicant, extend the validity of such ruling for five years from the original date of the ruling, subject to no change in law or facts.
- The proposed amendment to Section 28J rationalizes the advance ruling framework under the Customs Act by providing a longer, clearly defined validity period.

Relaxation in Removal of Warehoused Goods from one Warehouse to another

- Section 67 of the Customs Act is proposed to amend to allow owners to transfer warehoused goods from one warehouse to another without seeking prior permission from the proper officer.
- This change reduces administrative delays, simplifies warehouse operations, and ensures proper tracking.

▶ INDIRECT TAX PROPOSALS

Regulations for Goods Imported or Exported by Post or Courier:

- The amendment to Section 84 of the Customs Act empowers the Board to make regulations regarding the custody of goods imported or exported by post or courier. This gives the Board authority to prescribe how such goods are handled, secured, and monitored during the import or export process

Measures for Ease of Doing Business:

- Single, interconnected digital window for all government agency approvals related to cargo clearance by end of the financial year.
- Duty deferral period for Tier 2 and Tier 3 Authorized Economic Operators (AEOs) increased from 15 days to 30 days

Ease of Living:

- The Baggage Rules, 2026 is introduced w.e.f. 02nd February 2026 in suppression of the Baggage Rules, 2016.
- Dispute resolution option allowing honest taxpayers to close cases by paying an additional amount in lieu of penalties, reducing deterrence from settlement.

Special Economic Zone:

- A special one-time measure to allow eligible SEZ manufacturing units to sell a prescribed proportion of their exports to the Domestic Tariff Area (DTA) at concessional duty rates.

Dutiable Goods:

- The tariff rate on all dutiable goods imported for personal use reduced from 20 per cent to 10 per cent

Relief on Import of Drugs/Medicine

- BCD exempted on 17 cancer saving drugs or medicines.
- 7 additional rare diseases to be designated for exemption from import duties on personal imports of drugs, medicines, and Foods for Special Medical Purposes (FSMP) used in their treatment.

Energy Sector

- Full BCD exemption on import of sodium antimonate used in manufacture of solar glass.
- Existing BCD exemption on imports of goods required for Nuclear Power Projects will continue till year 2035.
- Extension of BCD exemption on capital goods used for manufacturing Lithium-Ion Cells for batteries

Critical Minerals

- BCD exemption on import of capital goods required for processing of critical minerals (Monazite).

Marine & Seafood

- The limit for duty-free imports of specified inputs used in processing seafood exports will be increased from 1% to 3% of the FOB value of the previous year's export turnover.

Civil and Defence Aviation

- Full BCD exemption on components and parts required for the manufacture of civilian training and other aircraft.
- Full BCD exemption on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector.

Textiles and Leather Industry:

- The prescribed time limit has been increased for export from six months to twelve months in respect of textile and leather garments, leather/synthetic footwear, and other leather products manufactured using duty-free imported inputs.

Electronic Goods:

- BCD exempted on specified parts used in the manufacture of microwave ovens.

INDIRECT TAX PROPOSALS

2. Customs Tariff Duty Act, 1975

- From 1st May 2026, the concessional or effective Basic Customs Duty presently applied to certain commodities through exemption or concessional duty notifications will instead be incorporated directly into the First Schedule of the Customs Tariff Act, 1975. Consequently, the corresponding entries in the relevant exemption notifications will be omitted, as the duty rate will operate statutorily through the Tariff itself. This change is purely a simplification and rationalisation of the customs tariff structure, and does not alter the applicable Basic Customs Duty rate on these commodities.
- New tariff lines in the First Schedule of Customs Tariff Act, 1975 has been proposed to introduced to enable more granular product classification and improved identification of goods. The proposed amendments, being structural in nature, are aimed at simplifying and strengthening the customs tariff framework and are proposed to take effect from 1st May 2026, unless otherwise specified.

3. Central Excise Act, 1944

- Amendment to Seventh Schedule to Finance Bill, 2001 to revise the NCCD Schedule rates from 25% to 60% 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. However, the effective rate will be maintained at 25% vide notification.
- Earlier, under Notification No. 05/2023-Central Excise, relief was limited only to exempting excise duty on the GST amount paid on the Biogas/CBG portion of blended CNG, while the value of Biogas/CBG itself remained part of the transaction value and continued to suffer excise duty. From 02.02.2026, this approach has changed: both the value of Biogas/CBG and the GST paid thereon are excluded from the transaction value itself for excise purposes, meaning that central excise duty is now levied only on the fossil CNG component, fully removing excise duty on the Biogas/CBG portion and rendering the earlier notification redundant.
- 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.

▶ INDIRECT TAX PROPOSALS

4. Goods and Service Tax

Changes in the POS provisions for Intermediary Services:

- The removal of clause (b) of section 13(8) of the IGST Act marks a major shift for intermediary services. Until now, many intermediary services provided to foreign clients were taxed in India, leading to denial of zero rated export benefits. With this clause removed, the default place of supply rule will apply, i.e., the location of the recipient, allowing such services to qualify as exports.

Delinking of Post Sale discount with mandatory requirement of existing arrangement:

- Post sale discounts have also been liberalized by removing the requirement of a pre existing agreement. Taxable value can now be reduced through issuance of a credit note even after supply, provided the recipient reverses proportionate ITC under section 34 of the CGST Act.

Provisional Refunds in case of Inverted Duty Structure:

- GST refunds have been made more taxpayer friendly. The benefit of 90% provisional refund has been extended to inverted duty structure cases, improving cash flow for affected businesses. Additionally, the minimum refund threshold of Rs. 1,000 has been removed for exports of goods with payment of tax.

Authorization of GSTAT as National Appellate Authority for Advance Rulings:

- The Government has been empowered to authorize an existing authority, including GSTAT, to function as the National Appellate Authority for Advance Rulings for appeals under section 101B, effective from 1 April 2026.

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The company's industry experience spans over 45 years in providing a wide spectrum of cross-border transaction services, which include but are not limited to, tax structuring, India-entry strategy, due diligence, foreign exchange controls, corporate law, valuations, transfer pricing, audit support, expatriate tax matters, outsourcing and EOR services etc. This rich exposure has earned us several accreditations.

AKM Global has been consistently rated as one of India's leading tax and transfer pricing firms by The International Tax Review (2017-2026).

CONTACT INFORMATION

To know more about us, please visit our website www.akmglobal.com or write to us at info@akmglobal.in.

India Offices

Delhi-NCR

101, 1st Floor, Bestech
Business Towers, Sector - 48,
Sohna Road,
Gurgaon - 122018, Haryana

Hyderabad

L5-05-01,
SLN Terminus, Gachibowli,
Serilingampally Mandal,
Hyderabad,
Telangana – 500032

Mumbai

Ground and 1st Floor,
Poddar Chambers,
Mathuradas Mill Compound,
Senapati Bapat Marg, Lower
Parel (W), Mumbai - 400013

Pune

201, Anushree Apartment,
Above Namaskar Hotel,
Opposite MJM Hospital, Ghole
Road, Shivajinagar, Pune –
411004

Bengaluru

First Floor, Awfis Samrah
Plaza,
St. Mark's Road,
Shanthala Nagar Ashok Nagar,
Bengaluru, Karnataka – 560001

Chennai

Awfis, 111,
Old Mahabalipuram Road,
Kottivakkam Village,
Chennai – 600041, Tamil
Na5sdu

International Office

UAE

Meydan Grandstand,
6th floor, Meydan Road,
Nad Al Sheba, Dubai, UAE