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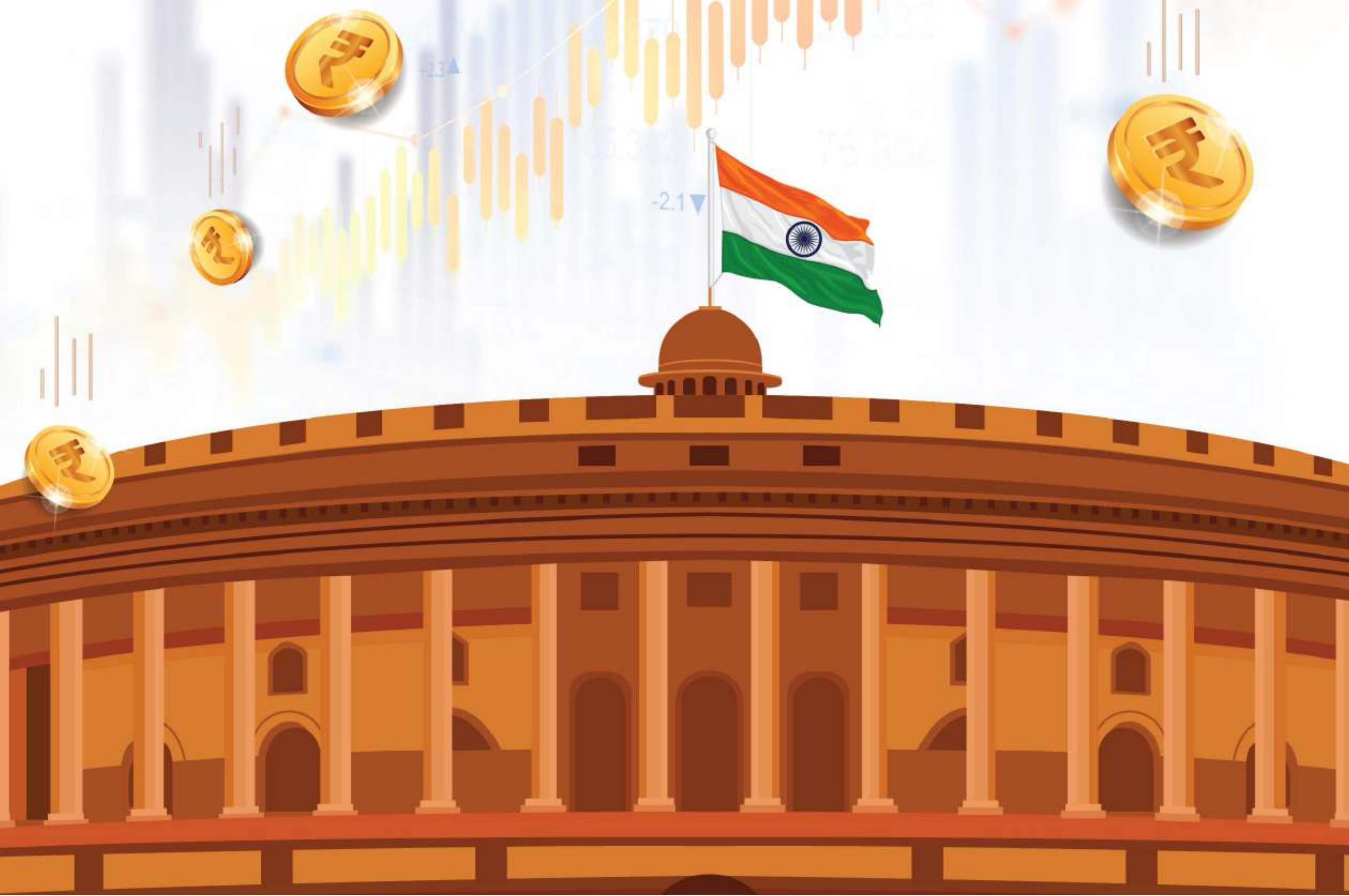
INDIA BUDGET STATEMENT 2026



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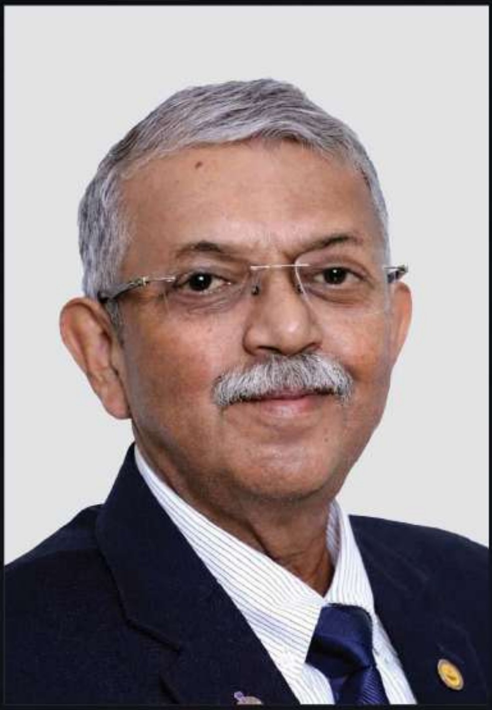

Foreword

Saurabh Sanyal
Secretary General, ASSOCHAM

The Union Budget 2026-27 presents a forward-looking and reform-oriented roadmap that reinforces the foundations of India's medium- to long-term economic growth. Reflecting several long-standing industry priorities, the Budget places strong emphasis on public investment, manufacturing-led expansion, MSME scale-up and a more predictable regulatory environment.

A significant enhancement in capital expenditure, alongside focused investments in freight corridors, national waterways and city economic regions, addresses critical infrastructure and logistics constraints. The development of city economic regions, particularly across Tier II and Tier III centres, is expected to unlock regional growth, create new urban growth engines and generate strong multiplier effects by crowding in private investment.

The Budget's thrust on cluster-based manufacturing across strategic sectors - including semiconductors, biopharma, textiles, chemicals, capital goods and rare earths - marks an important step towards strengthening domestic value chains and reducing import dependence. Equally encouraging is the clear recognition of MSMEs as key growth drivers, supported through targeted financing mechanisms, improved credit access and measures to enable scale and global integration.

ASSOCHAM believes that the Union Budget 2026-27 strikes a credible balance between growth imperatives, structural reforms and fiscal discipline. By addressing core industry constraints and reinforcing investment-led growth, the Budget is well positioned to support employment generation, competitiveness and India's long-term development objectives.

Foreword

Rakesh Nangia
Founder & Managing Partner,
Nangia & Co LLP

From "Viksit Bharat" Ambition to "Kartavya" Execution

Budget 2026 marks a paradigm shift from fiscal stimulus to structural "Kartavya" (duty), focusing on three pillars: accelerating growth, building people's capacity, and ensuring inclusive resource access. With a projected GDP growth of ~ 7%, the Hon'ble Finance Minister has avoided the populist trap, instead doubled down on India's role as a global manufacturing alternative.

Economic & Structural Anchors - The centrepieces are India Semiconductor Mission (ISM) 2.0 and an increased ₹40,000 crore electronics components manufacturing scheme outlay. These are not just subsidies, but "Tariff-Busters" designed to lower domestic production costs to counter global trade barriers, such as the US tariffs.

The rejuvenation of 200 legacy industrial clusters, integrated program for labour-intensive textile sector, and the launch of Rare Earth Corridors across Odisha, Kerala, Andhra, and Tamil Nadu signal a move toward vertical integration - securing the raw materials (critical minerals) and the infrastructure needed to operationalize the recently concluded FTAs and promote exports.

Tax & Regulatory Implications - The most significant structural reform is the sunset of the 1961 Income Tax Act, replaced by the New Income Tax Act, 2025, effective April 1, 2026. This "reboot" aims to halve the volume of tax law, moving from an "Assessment Year" mindset to a single "Tax Year" structure and a simplified regulation. A 5-year tax exemption for specific non-residents under notified schemes, 15% safe-harbor for data centres coupled with tax holiday until 2047, expanded safe-harbour and fast track APA for IT services provides is a bold bid to capture the global AI and cloud landscape.

In essence, Budget 2026 is not designed to surprise—it is designed to reassure. Its themes reflect a mature reform mindset where trust in institutions, predictability in tax policy, and competitiveness through execution form the foundation of India's growth strategy.

Direct Tax Proposals

Tax Rates

No change in Tax Rates

- There is no change in regular tax rates for individuals as well as for the corporates.

Increase in STT on F&O and derivatives

- STT rates on derivatives transactions are proposed to be increased to address excessive speculation in the F&O market.
    - STT on sale of options increased to 0.15 percent (from 0.10 percent); on option exercise to 0.15 percent (from 0.125 percent).
    - STT on sale of futures increased to 0.05 percent (from 0.02 percent).

Applicable to transactions entered into on or after April 01, 2026.

Rationalising the tax rate on certain specified income

- IT Act, 2025 governs taxation of certain specified incomes such as unexplained credits, unexplained investments, unexplained assets, unexplained expenditure etc.
- Presently, where Taxpayers total income includes such income, tax is levied at a flat rate of 60 percent.
- It has been recognised that the existing tax rate is disproportionate and requires rationalisation. It is proposed to reduce the tax rate to 30 percent.

Applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

Minimum Alternate Tax

MAT to be final tax

- Section 206 of the IT Act, 2025 provides for MAT which is applicable for companies (other than IFSC) and is charged on the book profit at the rate of 15 percent.
- Further, when a company pays MAT and is higher than regular tax, the excess amount paid is allowed as a tax credit which is allowed to be carried forward up to 15 years to be set off in future years, where the company's regular tax liability exceeds the MAT liability. Presently, the same is in place only for the old tax regime.
- It is proposed that taxes paid as per MAT provision would be final tax in the old regime and no new MAT credit would be allowed, with MAT rate reduced from 15 to 14 percent.

Set-off of MAT credit and transition to the new regime

- Set-off of MAT credit shall be available only to domestic companies transitioning from the old regime to the new regime, limited to 25 percent of the tax liability in the relevant tax year with unutilised MAT credit to be carried forward to subsequent 15 years from the tax year in which the credit first became allowable.
- For foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the MAT.

Exemption from MAT for foreign companies

- Presently, certain foreign companies are excluded from the application of MAT, except few non-resident businesses opting for the presumptive tax scheme.
- To ensure similar treatment among all the different specified businesses of non-residents opting for the presumptive tax scheme, it is proposed to exclude the following two specified businesses from the applicability of MAT
  - Operation of cruise ships; and
  - Provision of services or technology in India for setting up an electronics manufacturing facility, or in connection with the manufacture or production of electronic goods in India for a resident company.

Applicable with effect from April 01, 2026, and onwards.

International Taxation

Foreign Company procuring data centre services

- It is proposed to grant an exemption to a foreign company in respect of income accruing or arising in India, or deemed to accrue or arise in India, from procuring data centre services from a specified data centre, up to the tax year ending March 31, 2047, subject to routing services provided to Indian users through an Indian reseller entity. Relevant terms shall be defined for this purpose.

Foreign Company providing capital equipment, etc., to an electronics goods manufacturer

- It is proposed to grant an exemption, up to tax year 2030–31, to a foreign company in respect of income from the supply of capital goods, equipment, or tooling to an Indian contract manufacturer located in a customs bonded area, where such manufacturer produces electronic goods for the foreign company for consideration. It is a targeted step to strengthen India's manufacturing ecosystem.

Non-resident experts working in India for a longer duration of time

- To encourage vast pool of global talent to work in India for a longer period of time, it is proposed to exempt income accruing or arising outside India, and not deemed to accrue or arise in India (i.e. non-India sourced income), for five consecutive tax years, beginning with the first tax year in which an individual visits India to render services, provided such services are rendered in India under a Central Government-notified scheme and the prescribed conditions are satisfied.

These amendments shall take effect from April 01, 2026.

Transfer Pricing

Clarification regarding the manner of computation of sixty days for passing the order by the TPO

- Clarification has been brought highlighting how the limit of 60 days will be calculated in case of a transfer pricing order, i.e. due consideration will be given if it is a leap year.

  a) where the period of limitation expires on 31st of March of any year (not being a leap year), the order may be made up to the 30th of January of that year;

  b) where the period of limitation expires on 31st of March of any year (being a leap year), the order may be made up to the 31st of January of that year;

  c) where the period of limitation expires on 31st of December of any year, the order may be made up to the 1st of November of that year.

The clarification in IT Act, 1961, shall come into force with retrospective effect from June 1, 2007, and the amendment in IT Act, 2025, shall come into force with effect from April 1, 2026.

Modified Tax Returns by associated enterprises providing effect to advance pricing agreements

- It is proposed to make the associated enterprises also eligible to file the modified return within 3 months from the end of the month in which the agreement was entered. Further, the modified return should be limited to the agreement only.

The amendment will take effect from April 1, 2026, and shall accordingly apply in relation to the tax year 2026-27 and subsequent tax years.

Rationalisation of Penalty into Fee

- A standardised late-filing "fee" structure is proposed to be introduced for failure to file Form 3CEB, replacing the earlier penalty, with the fee being -

  I. a sum of INR 0.05 million for a delay up to one month for which such failure continues; and

  II. a sum of INR 0.1 million thereafter.

The amendment will take effect from April 1, 2026 and shall accordingly apply in relation to the tax year 2026-27 and subsequent tax years.

Other Changes as per Budget Speech

Safe Harbour – GCC

- Software development services, IT enabled services, knowledge process outsourcing services and contract R&D services relating to software development – all these services are proposed to be clubbed under a single category of Information Technology Services.
- Common safe harbour margin of 15.5 percent applicable to all such services under Information Technology Services.
- The threshold for availing safe harbour for Information Technology Services being enhanced substantially from INR 300 crore to INR 2,000 crores.
- Safe harbour for Information Technology Services shall be approved by an automated rule-driven process without any need for tax officer to examine and accept the application.
- Once applied by an Information Technology Services company, the same safe harbour can be continued for a period of 5 years at a stretch at its choice.

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Safe Harbour – Data Centres

- A safe harbour of 15 percent on cost in case the company providing data centre services from India, is a related entity, is being introduced.

Safe Harbour – Logistics for electronic manufacturing

- Proposed to introduce a safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value.

APA for IT Services Companies

- It is proposed to fast-track the Unilateral APA process for IT services companies and endeavour to conclude it within a period of 2 years. The period of 2 years can be extended by a further period of 6 months on the Assessee's request.

International Financial Services Centre Units

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

- Presently, deduction of 100 per cent on certain income is available to the units of IFSC being 10 consecutive years out of 15 years and 10 consecutive years for OBUs.
- It is proposed to extend the tax holiday to 20 consecutive years out of 25 years for units in the IFSC, and 20 consecutive years for OBUs. Further, business income of such units from the IFSC after the expiry of the deduction period shall be taxed at 15 per cent.

Applicable with effect from April 01, 2026 for Tax Year 2026-27 and onwards.

Tax Deducted at Source / Tax Collected at Source

TDS on the supply of manpower

- To provide clarity with regard to the applicable rate of TDS for the supply of manpower, it is proposed to include it within the definition of "work" and treat it as contractual work. Accordingly, the rate of TDS shall apply at 1 percent where payment is made to an individual or HUF, and at 2 percent in all other cases.

Applicable with effect from April 01, 2026.

Rationalization of TCS rates

The table below summarizes the current **and proposed TCS rates** on certain specified receipts:

S.No.	Nature of Receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of scrap	1%	2%
4	Sale of minerals (coal, lignite, iron ore)	1%	2%
5	Remittance under LRS exceeding INR 1 million – for education or medical treatment	5%	2%
6	Remittance under LRS exceeding INR 1 million – for purposes other than education or medical treatment	20%	20%
7	Sale of overseas tour programme package (earlier subject to threshold and higher rates)	5% of amount or aggregate of amounts up to INR 1 million; (b) 20% of amount or aggregate of amounts exceeding INR 1 million	2% (no threshold applicable)

Applicable with effect from April 01, 2026.

Non-Profit Organisations

Amendment in the provision relating to the merger of NPOs

- Section 12AC of the IT Act, 1961 provides that where a registered non-profit organization merges with any other registered non-profit organization having same/similar objects, the provisions relating to tax on accreted income shall not apply. To provide similar provisions as under Section 12AC of the IT Act, 1961, it is proposed to insert a new Section 354A under the IT Act, 2025.

- Further, Section 352 of the IT Act, 2025 provides for tax on accreted income. Presently, the said provision covers a situation where the specified person has merged with any other entity other than a registered non-profit organization having the same or similar object and accordingly shall be liable to pay the tax on accreted income. It is proposed to amend the aforesaid section to provide that the specified person shall be liable to pay the tax on accreted income where it has merged with any other-

  a) entity other than a registered non-profit organization;

  b) registered non-profit organization having objects same or similar to it but the said merger does not fulfil such conditions, as may be prescribed; or

  c) registered non-profit organization that does not have the same or similar objects.

Applicable from Tax Year 2026-27 and subsequent tax years.

Amendment in the provisions relating to the violations by a registered NPO

- Section 351 of the IT Act, 2025 provides for specific activities which constitute 'specified violation' by a registered NPO, including violation on account of commercial activities by a registered NPO carrying out advancement of any other object of general public utility. As a 'specified violation' may lead to cancellation of registration of such NPO, being not the intent of the IT Act,1961 and to align with the relevant provisions under the IT Act, 1961, it is proposed to remove the reference to such violation from Section 351 of the IT Act, 2025.

Applicable from Tax Year 2026-27 and subsequent tax years.

Amendment in the provisions to provide for the filing of a belated return by NPO

- Section 349 of the IT Act, 2025 provides furnishing of return by a registered NPO within the time limit allowed under Section 263 of the IT Act, 2025, which presently does not include furnishing of belated return. To enable furnishing of belated return by registered NPO and align with the relevant provisions as per the IT Act, 1961, it is proposed to amend the aforesaid provisions of Section 349 and provide reference to the same.

Applicable from Tax Year 2026-27 and subsequent tax years.

Penalty and Prosecution

Rationalising the Prosecution Proceedings

- In furtherance to the government's decriminalisation initiative and to make the punishment for the offences mentioned proportionate to the crimes, it is proposed to amend the prosecution proceedings tabulated as follows:

S. No.	Particulars of Offences	Present Prosecution	Proposed Prosecution
1	Contravention of order made search and seizure proceedings	Rigorous imprisonment up to two years and fine	Simple imprisonment up to two years and fine
2	Failure to afford facility for inspection of books of account during search		Simple imprisonment up to six months or fine or both
3	Removal, concealment, transfer, or delivery of property with the intent to evade tax recovery		Simple imprisonment up to two years and fine
4	Failure to pay tax deducted at source or ensure payment of tax to credit of Central government	Rigorous imprisonment for not less than three months which may extend up to seven years, and fine.	• If tax exceeds INR 5 million: Simple imprisonment up to 2 years, or Fine, or Both. • If tax exceeds INR 1 million and upto INR 5 million: Simple imprisonment up to 6 months, or Fine, or Both. • If tax is upto INR 1 million: Fine only.
5	Failure to pay tax collected at source		
6	Wilful tax evasion or under-reporting of income	If tax exceeds INR 2.5 million, rigorous imprisonment of six months to seven years and fine. In other cases, rigorous imprisonment of three months to two years and fine.	
7	Wilful attempt to evade payment of any tax, penalty or interest	Rigorous imprisonment of three months to two years and fine.	

S. No.	Particulars of Offences	Present Prosecution	Proposed Prosecution
8	Failure to furnish return of income	If the tax evaded exceeds INR 2.5 million, rigorous imprisonment of six months to seven years and fine. In other cases, imprisonment of three months to two years and fine.	
9	Failure to furnish return in search cases	Imprisonment for not less than three months but upto three years and fine	
10	Failure to comply with the directions of special audit	Rigorous imprisonment up to one year and fine	Simple imprisonment up to six months or fine or both
11	False statement in verification	If the tax evaded exceeds INR 2.5 million, rigorous imprisonment of six months to seven years and fine. In other cases, imprisonment of three months to two years and fine.	• If tax exceeds INR 5 million: Simple imprisonment up to 2 years, or Fine, or Both. • If tax exceeds INR 1 million and upto INR 5 million: Simple imprisonment up to 6 months, or Fine, or Both. • If tax is upto INR 1 million: Fine only.
12	Falsification of books of accounts or documents, etc	Rigorous imprisonment for not less than three months but may extend to two years and fine	Simple imprisonment for a term upto two years and with fine
13	Abetment of false return	If the tax evaded exceeds INR 2.5 million, rigorous imprisonment of six months to seven years and fine. In other cases, imprisonment of three months to two years and fine.	• If tax, penalty or interest exceeds INR 5 million: Simple imprisonment up to 2 years, or Fine, or Both. • If tax, penalty or interest exceeds 1 million and upto INR 5 million: Simple imprisonment up to 6 months, or Fine, or Both. • If tax, penalty or interest is upto 1 million: Fine only.
14	Second and Subsequent offences	Rigorous imprisonment for not less than 6 months but may extend to 7 years and fine	Simple imprisonment for not less than 6 months which may extend up to 3 years and fine
15	Disclosure of particulars by public servants	Imprisonment upto six months and fine	Simple imprisonment upto one month, or fine, or both.

Applicable from March 01, 2026.

Rationalising Penalty into Fees

- IT Act, 2025 prescribes penalties for certain procedural and compliance-related defaults, such as failure to get accounts audited, non-furnishing of accountant's reports in respect of international or specified domestic transactions, and failure to furnish statements of financial transactions or reportable account.
- It has been recognised that penalties for such technical or procedural delays often lead to avoidable litigation. To reduce disputes and promote voluntary compliance, it is proposed to convert these penalties into mandatory fees, which are non-discretionary in nature.
- It is proposed that for failure to get accounts audited is proposed to be omitted and replaced by a graded fee of INR 0.075 million and INR 0.15 million.
- Penalty for non-compliance or inaccurate reporting of crypto asset transactions is introduced. It is proposed that any person who fails to furnish a statement of crypto-asset transactions is liable to a penalty of INR 200 per day for delay in furnishing the statement. Additionally, the prescribed income-tax authority may impose a penalty of INR 0.05 million if the person provides inaccurate information and fails to correct it or fails to comply with the due diligence requirements.
- Penalty for failure to furnish statement of financial transaction or reportable account is converted to a fee of INR 200 per day for delay in furnishing the statement which shall not exceed INR 0.1 million.

Applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

Imposition of Penalty within the Assessment Order

- Under the existing framework, separate penalty proceedings are conducted through issuance of a show cause notice and culminate in a distinct penalty order, often after the completion of appellate proceedings.
- It has been observed that this framework results in multiplicity of proceedings and prolonged uncertainty for Taxpayers, as the final outcome of penalty proceedings often remains contingent upon appellate decisions that may span several years. This not only increases compliance burden but also leads to inconsistency in penalty outcomes.
- To address these concerns, it is proposed that penalty for under-reporting or misreporting of income be imposed directly within the assessment order itself, thereby eliminating the need for separate penalty proceedings.

With respect to IT Act, 2025 applicable from April 01, 2026, and shall apply from April 01, 2027 where any draft assessment order or assessment or reassessments is made on or after the said date.

With respect to IT Act, 1961 applicable form March 01, 2026, and shall apply from April 01, 2027 to draft assessment order, assessments or reassessments order is made on or after the said date.

Rationalising Penalty in respect of certain specified income

- Presently, a penalty of 10 percent of tax payable on certain specified incomes such as unexplained credits, unexplained investments, unexplained assets, unexplained expenditure etc is provided under the IT Act, 2025.
- To bring consistency in the penalty framework, it is proposed that the aforesaid penalty provision be omitted. Instead, penalty in respect of such incomes will be subsumed under the misreporting framework and dealt with as cases of under-reporting of income in consequence of misreporting.
- The same is proposed primarily to align tax and penalty rates with broader misreporting framework.

Applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

Expanding the scope of immunity from Penalty and Prosecution

- Presently, the procedure for immunity from penalty and prosecution is available, subject to fulfilment of specified conditions, only in cases of under-reporting of income and not in the case of misreporting of income.
- It is now proposed to extend the scope of immunity to cases where under-reporting of income is in consequence of misreporting, subject to payment of additional income tax equal to 100 percent of the tax payable on such income, in lieu of penalty.
- Further, immunity is also proposed to be made available in case of unexplained credits, investments, or assets, subject to payment of additional income-tax equal to 120 percent of the tax payable on such income.
- These amendments aim to provide Taxpayers with an opportunity to settle disputes at an early stage by paying additional tax, thereby reducing prolonged litigation and compliance burden.

With respect to IT Act, 1961 applicable from March 01, 2026 for AY 2026-27 or any earlier Assessment Years.

With respect to IT Act, 2025 applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

Increase in Penalty for failure to comply with powers to collect information

- IT Act, 2025 empowers income tax authorities to collect information from the premises where a business or profession is carried on, by requiring the proprietor, employees, or any other person present to furnish such information as may be authorised. Further, it provides for a penalty where a person fails to comply with the requirements.
- In order to encourage voluntary compliance and ensure adequate deterrence, it is proposed to rationalise the maximum penalty to INR 0.025 million.

Applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

No interest liability on Penalty during pendenacy of appeal

- IT Act, 2025 governs the payment and recovery of tax demands. It provides that any amount specified in a notice of demand is required to be paid within the stipulated period. In the event of failure to pay, the Taxpayer is treated as a defaulter and becomes liable to interest.
- It is proposed that the interest in case of default in payment of tax demand pursuant to under-reporting and mis-reporting penalty proceedings shall not be charged till the disposal of first appeal proceeding or ITAT proceedings (in case of DRP).

With respect to IT Act, 2025 applicable from April 01, 2026, and shall apply from April 01, 2027 to draft assessment order or assessment or reassessment is made on or after the said date.

With respect to IT Act, 1961 applicable form March 01, 2026, and shall apply from April 01, 2027 to draft assessment order or assessments or reassessments order made on or after the said date.

Relaxation of conditions for prosecution under BMA

- BMA provides for stringent penal and prosecution measures in cases of wilful non-disclosure of foreign income and assets by resident Taxpayers. It is now proposed that prosecution will not be initiated in respect of foreign assets, other than immovable property, where the aggregate value does not exceed INR 2 million.

Applicable retrospectively from October 01, 2024.

Procedural amendments

Rationalising due dates for filing of return of Income

- To ease compliance for non-audit taxpayers and trusts, the return filing due dates have been rationalised thereby allowing additional time to finalise accounts.
- Accordingly, it is proposed to extend the due date for filing the return of income from 31 July to 31 August for Assessees having income from business or profession, partners of firms, and spouses of such partners, where the accounts are not required to be audited under this Act or any other law.

With respect to IT Act ,2025 applicable from April 01, 2026 for Tax Year 2026-27 and onwards.

With respect to IT Act,1961effective from March 01, 2026.

Extending the period of filing revised return

- Presently, the timeline for revised and belated return coincides with each other which is nine months from the end of the relevant tax year.
- In order to provide fair opportunity to correct errors, thereby promoting accurate and voluntary compliance, it is proposed to increase the prescribed time limit for filing the revised return from existing 9 months to 12 months from the end of the relevant tax year or before completion of assessment, whichever is earlier.
- Further, a fee is proposed to be levied where the revised return is filed after nine months, being INR 1,000 where total income does not exceed INR 0.05 million and INR 5,000 in other cases.

With respect to IT Act, 2025 applicable from April 01, 2026 for Tax Year 2026-27 and onwards.

With respect to IT Act, 1961 effective from March 01, 2026 applicable for AY 2026-27.

Scope of filing of updated return in the case of reduction of losses

- Presently, updated return cannot be furnished in cases where updated return is a return of loss for the said tax year.
- It is proposed to allow filing of an updated return in case where the amount of loss is reduced in comparison to the amount of loss originally reported in a return filed within the due date.
- Further, it is proposed that a taxpayer may file an updated return for a tax year in response to a reassessment notice, within the prescribed time limit. Upon filing such updated return, no other return can be filed in response to the same notice. In such cases, it is proposed that the additional income-tax payable shall be increased by 10% of the total tax and interest payable on the updated return, and where such additional tax is paid, the income disclosed shall not be liable to penalty.

With respect to IT Act, 2025 applicable from April 01, 2026 for Tax Year 2026-27 and onwards.

With respect to IT Act, 1961 effective from March 01, 2026 applicable for AY 2026-27.

PAN-based deduction of tax at source by the buyer of immovable property from a non-resident

- Presently, a resident purchasing immovable property from a non-resident is required to obtain a TAN even for a single transaction.
- To reduce compliance burden for resident individuals and HUF, this requirement has been dispensed with and would no longer be required to obtain a TAN in such cases.

Applicable with effect from October 01, 2026.

Enabling electronic verification and issuance of a certificate for the deduction of income-tax at a lower rate or no deduction of income-tax

- To ease the compliance burden of small taxpayers, it is proposed to provide an option to file an application electronically for obtaining a lower or nil rate tax deduction certificate before the prescribed authority, which, subject to fulfilment of prescribed conditions, may approve and issue the certificate or reject the application.

Applicable with effect from April 01, 2026 and onwards.

Centralised submission of forms through depositories for investors

- Presently, investors are required to file a written declaration for no deduction of tax at source to the person responsible for paying income, viz., including dividends, interest from securities and income from units of mutual fund. Further, separate declarations were required to be filed with each such payer, and the payers were required to report such declarations to the Income-tax authorities on a monthly basis.
- It is proposed that investors may submit a single declaration to the depository, which will share it with the relevant income payers. However, such a facility is available only in case of investors holding listed securities or units in a depository. Further, to ease compliance, reporting by payers has been changed from monthly to quarterly.

Applicable with effect from April 01, 2027.

Rationalisation of block period in case of 'other person' pursuant to search on requisition

- Section 295(2) of the IT Act, 2025 provides for block period in case of 'Other Person' which is aligned with the block period applicable as in case of person against whom search or requisition was initiated. However, in situation where undisclosed income pertaining to 'Other Person' relates only to a single tax year, the said person is required to undergo full block assessment procedure, resulting in an increased compliance burden. Accordingly, it is proposed to amend the aforesaid provision and limit the block period to provide that:
  - Where the undisclosed income of other person pertains only to the period commencing from the tax year preceding the year of search initiated/requisitioned and up to the date of search/requisition, the block period will comprise of the tax year immediately preceding the year of search initiated/requisitioned and from 1st April of the search year to the date of last authorisation;
  - Where the undisclosed income of the other person pertains to a single tax year out of the five years, then the block period in respect of such other person shall be restricted to that single tax year.

Amendment will take effect from the April 01, 2026, for cases where search or requisition is initiated or made.

Time limit for completion of block assessment in case of search on requisition

- Section 296 of the IT Act, 2025 provides for the time limit for completing a block assessment to be completed within 12 months from the end of the quarter in which last authorisation for search or requisition is made. However, the use of the last date of authorizations as reference for deciding date of limitation leads to different dates of limitation, especially in a group of cases requiring coordinated investigation and assessments. Accordingly, it is proposed to increase the aforesaid time limit for completion of block assessment to 18 months from the end of the quarter in which the search was initiated or requisition was made.

Amendment will take effect from the April 01, 2026, for cases where search or requisition is initiated or made.

Retrospective clarificatory amendments

Clarification regarding the role of Jurisdiction Assessing Officer and National Faceless Assessment Centre

- The IT Act, 1961 prescribes a two-stage procedure for reassessment under Section 147, comprising pre-assessment enquiry under Sections 148A and issuance of notice under Section 148 by the Assessing Officer, followed by faceless reassessment by the National Faceless Assessment Centre under Section 144B. The legislative scheme clearly separates the pre-assessment stage from the faceless assessment stage.
- There was a controversy regarding the meaning of "Assessing Officer" and the stage from which the role of the National Faceless Assessment Centre will begin. There were divergent views expressed by the High Courts, and the matter is now pending in the Supreme Court.
- To bring certainty and avoid prolonged litigation, it is proposed to clarify in the IT Act, 1961, that notwithstanding anything contained in any judgment, decree or order of any court, that for the purposes of Sections 148 and 148A, the term "Assessing Officer" shall mean and shall be deemed always to have meant an Assessing Officer other than the National Faceless Assessment Centre or any of its assessment units i.e. Jurisdictional Assessing Officer. Corresponding amendments are also proposed to be made in the IT Act, 2025.

The clarification in the IT Act, 1961, shall come into force with retrospective effect from April 1, 2021, and the amendment in the IT Act, 2025, shall come into force with effect from April 1, 2026.

Assessments are not to be invalid if DIN is referenced in the Assessment Order

- CBDT Circular 19 of 2019 provided for quoting of a computer-generated DIN on all correspondence issued by the tax authorities, including inter alia any notices, summons, letters, orders, etc. There have been various judgments of High Courts where assessments have been held to be invalid on grounds of non-quoting of DIN, and the matter is pending before the Supreme Court.
- It is proposed to clarify that notwithstanding anything contained in any judgment, order or decree of court, no assessment in pursuance of any of the provisions of IT Act, 1961 shall be invalid or shall be deemed to have been invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated DIN, if such assessment order are referenced by such number in any manner. Further, this amendment seeks to clarify that as long as there is a reference of DIN in the assessment order, the same would be sufficient compliance even if there may be some minor mistakes, defects or omissions in notices or summons in relation to such assessment. Suitable amendments are also proposed to be carried out in the IT Act, 2025.

The clarification in the IT Act, 1961, shall come into force with retrospective effect from October 01, 2019, and the amendment in the IT Act, 2025, shall come into force with effect from April 01, 2026.

Clarification regarding timeline for completion of assessments in case of draft orders

- Section 144C of the IT Act, 1961 provides for a special procedure where assessment is made in cases where the eligible assessee is a person in whose case variations arise on account of an order of a TPO or where the person is a non-resident. As per this section, the Assessing Officer is required to forward a draft of the proposed order of assessment (draft order) to the eligible assessee.
- Where the draft order is accepted, the AO shall complete the assessment within the time prescribed under Section 144C(4), which is one month from the end of the month in which the acceptance from the eligible assessee is received or the period of 30 days of filing objections before DRP expire.
- Where objections are filed, the DRP shall issue directions under Section 144C(12) and the time limit for passing these directions is nine months from the end of the month in which the draft order is forwarded to the eligible assessee. The period for completing the assessment in this case is provided by section 144C(13) which is one month from the end of month in which such directions are received.
- Sections 153 and 153B provide for time limit for completion of assessment, reassessment and recomputation. There was a controversy over whether, in the situation of a draft assessment order, the timelines provided in Sections 153 and 153B would get extended on account of the timelines provided in Section 144C. The matter reached the Supreme Court, and even the Supreme Court gave a split verdict.
- Given the above, an amendment is proposed in the IT Act, 1961 to clarify in section 153 and section 153B that timelines in these sections govern the draft order stage and the timelines provided in section 144C operate for finalization of assessments, notwithstanding the time limit provided in section 153 and 153B i.e. the time limit for completion of the assessment and passing the final assessment order shall be the extended timelines. Suitable amendments are also proposed to be carried out in the IT Act, 2025.

The clarification in the IT Act, 1961, shall take effect retrospectively from April 01, 2009, in respect of Section 153 and from October 01, 2009, in respect of Section 153B.

The amendments in the IT Act, 2025, shall take effect from April 01, 2026.

Miscellaneous

Taxation of buyback of shares

- Under the provisions of IT Act 2025, consideration received on buy-back of shares is presently taxed as dividend income, while the cost of acquisition of the extinguished shares is allowed separately as a capital loss.
- It is now proposed to rationalize the taxation of buy-back of shares by taxing the consideration received by shareholders under the head CG, instead of dividend income, subject to the following:
    - Promoters' gains arising from buy-back of shares shall be taxable under the head CG as per the provisions of IT Act 2025, along with an additional tax.
    - The additional tax proposed to be levied is as follows: -

S. No.	Particulars	Promoter is a domestic company	Promoter is other than a domestic company
1	STCG on the transfer of STT paid equity shares	2%	10%
2	LTCG	9.5%	17.5%

- Effective tax impact:
    - In the case of promoters (individuals), gains from share buy-backs shall be subject to an effective tax rate of 30 percent (comprising applicable CG tax and additional tax); and
    - In the case of promoter companies, the effective tax rate shall be 22 percent.

Applicable with effect from April 01, 2026, and onwards.

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

- BMA was enacted in 2015 to address the issue of undisclosed foreign income and assets of resident Taxpayers. Subsequently, a one-time compliance window was introduced which received an encouraging response from taxpayers and resulted in significant revenue mobilization for the Government.
- To facilitate voluntary compliance and enable small taxpayers to regularise legacy or inadvertent foreign asset non-disclosures, it is now proposed to introduce a similar compliance window through the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026.
- The Scheme is aimed at encouraging an eligible person being individuals who are resident during the relevant year and who were resident either in the year when the foreign income arose or in the year when the foreign asset was acquired to voluntarily disclose such income or assets by filing a declaration with the prescribed income-tax authority, on or after the commencement of the Scheme but before the last date which is yet to be notified.
- A declaration can be made in the following situations:
    - where the Taxpayer failed to file a return of income under the IT Act, 2025;
    - where a return was filed, but the foreign income or foreign asset was not disclosed therein; or
    - where such income or asset has escaped assessment under the IT Act, 2025.

- Payment to be made under FAST-DS 2026

Types of assets or income	Amount payable
Undisclosed foreign asset or Undisclosed foreign income	Where the aggregate value of undisclosed asset or undisclosed income does not exceed INR 10 million, the aggregate amount payable will be: Tax at 30% of the value of the undisclosed foreign asset (as on March 31, 2026) or undisclosed foreign income; and an additional amount equal to 100% of the tax payable
Foreign assets acquired during the period when the Taxpayer was a non-resident but not reported in the FA schedule in the return of income; or foreign assets acquired from income already offered to tax in India but not reported in the FA schedule in the return of income	Where the aggregate value of undisclosed asset does not exceed INR 50 million, flat fee of INR 0.1 million shall be payable

- Once a valid declaration is made, and the determined tax liability is paid within the stipulated timelines, an order certifying the payment shall be communicated to the Taxpayers which shall be conclusive.
- The declarant is then granted immunity from penalty and prosecution under the BMA in respect of matters covered by the declaration.
- The proposed Scheme shall come into force from the date to be notified by the Central Government.

Exemption on capital gain on redemption of Sovereign Gold Bond ("SGB")

- It is proposed that the capital gains exemption shall be available only to the original subscriber of SGB issued by the RBI at the time of issuance, provided the bonds are held continuously till maturity by the original subscriber.
- Accordingly, the exemption shall not be available to persons who acquire Sovereign Gold Bonds after the original issuance.

Applicable with effect from April 01, 2026 and onwards.

Non Allowability of any deduction against the dividend income

- The FB 2026 has withdrawn all deductions, including expenditure such as commission and interest, that were earlier allowable against dividend income under the provisions of IT Act, 2025.

Applicable with effect from April 01, 2026 and onwards.

Rationalising the due date for payment of employee contribution by the employer

- Presently, employers can claim a deduction for employees' welfare contributions only if the amount collected from employees is deposited into the relevant fund within the statutory due date prescribed under labour laws. Even a small delay meant loss of deduction.
- To ease compliance and reduce litigation arising from minor delays in deposit under labour laws, it is now proposed to relax this condition by aligning the due date with the income tax return filing date.

Applicable from April 01, 2026 and will apply from Tax year 2026-27 onwards.

MCA-CBDT committee to align ICDS with Ind-AS

- The FM has proposed to set up a joint MCA–CBDT committee to align the Income Computation and Disclosure Standards with Indian Accounting Standards. From tax year 2027–28, the requirement to maintain separate ICDS-based accounts will be removed.

Indirect Tax Proposals

Customs

Legislative Changes In The Customs Act, 1962

- **Amendments proposed in relation to Fishing and Fishing related activities**
  - **Extension of the jurisdiction of the Customs Act beyond the territorial waters of India**: Provisions being amended to extend the jurisdiction of the Customs Act beyond the territorial waters of India, for the purpose of fishing and fishing related activities
  - **Indian-flagged fishing vessel defined**: The expression 'Indian-flagged fishing vessel' means a vessel which is used or intended to be used for the purpose of fishing in the seas and entitled to fly the flag of India.
  - **Special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India:**
    - Special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India introduced;
    - Provisions state that Fish harvested beyond the territorial waters of India may be brought into India free of duty and to treat fish that has landed at foreign port as export of goods in such manner as may be provided by rules;
    - Regulations to provide for the form and manner of making an entry in respect of fish harvested by an Indian-flagged fishing vessel including its declaration, custody, examination, assessment of duty, clearance, transit or transhipment to be made.

- **Amendment to clarify that penalty paid on determination of duty shall be deemed to be a charge for non-payment of duty**
  - Penalty paid on determination of duty shall be deemed to be a charge for non-payment of duty, where duty, interest and penalty are paid in full.
  - This would ensure that penalties accepted and paid under the determination process will be recoverable and collectible like unpaid duty, reducing ambiguity and enhancing compliance certainty for importers and other stakeholders.
  - Further, the amount earlier referred to as "penalty" will no longer carry a punitive character and will instead be treated as a charge linked to non-payment or short payment of duty.

- **Amendment in relation to Applicability of Advance Ruling**
  - **Validity period increased from 3 years to 5 years:** Advance ruling shall remain valid for a period of five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
  - **Applicability on advance ruling in force:** The validity of any advance ruling in force on the date on which the FB, 2026 receives the assent of the President, may be extended for five years from the date of the ruling, upon a request by the applicant.

- **Amendment in relation to Removal of Warehoused Goods**
  - **Removal of warehoused Goods:** Owner of warehoused goods can remove such goods from one customs bonded warehouse to another, subject to prescribed conditions.

- **No requirement of prior permission of the proper officer**: The requirement of prior permission of the proper officer done away with, thereby simplifying procedures, reducing administrative intervention and enabling faster inter-warehouse movement of bonded goods.
- Inter-warehouse transfers would be carried out on the basis of electronic self-declaration and system-based intimation

- **Amendment in relation to Custody of Goods**
  - The words “the examination” substituted with the words “the custody, examination”.
    - This change empowers the Board to frame regulations not only for examination but also for the custody of imported or export goods, providing a clearer legal basis for handling, storage and control of goods under prescribed regulations.

Legislative changes in rules and regulations under customs act, 1962

- **Amendments in Baggage Rules (effective from midnight of February 02, 2026)**
  - The existing Baggage Rules, 2016 to be superseded by the Baggage Rules, 2026, with an aim to rationalize baggage provisions and address passenger-related concerns at airports.
  - Key objectives include clarifying provisions relating to temporary carriage of goods brought into or taken out of India to avoid unnecessary detention, resolving interpretational issues and restructuring Transfer of Residence (ToR) benefits for Indian residents and foreign professionals based on the duration of stay.
- **Amendment in Deferred Payment of Import Duty Rules, 2016**
  - The Deferred Payment of Import Duty Rules, 2016 amended to allow monthly deferred duty payment, instead of the existing 15-day cycle.
  - Additionally, a new category of ‘eligible importers’ is being introduced, with a view to facilitating trade and improving cash-flow efficiency for compliant importers.
  - Eligible importers refer to manufacturers notified as a separate class of importers, approved by the Directorate of International Customs, who are allowed deferred payment for a limited period to support manufacturing and encourage transition to AEO status.
  - The facility for ‘Eligible Manufacturer Importers’ is available for a limited period up to March 31, 2028. Such importers are encouraged to obtain AEO certification in order to avail the deferred payment facility on a continuous basis

Miscellaneous legislative changes

- **Special one-time measure to facilitate sales by eligible manufacturing units in SEZs**
  - As a special one-time measure to address capacity under utilisation of manufacturing units in SEZs arising from global trade disruptions, eligible SEZ manufacturing units will be permitted to sell goods in the DTA at concessional rates of duty. Such sales will be restricted to a prescribed proportion of the unit’s exports.
  - Necessary regulatory changes will be introduced to operationalize this measure while ensuring a level-playing field for DTA units.
- **Trust-based Systems**
  - To strengthen trust-based customs systems, the duty deferral period for Tier-2 and Tier-3 AEOs is being extended from 15 to 30 days, with similar benefits proposed for eligible manufacturer-importers.
  - Enhanced facilitation measures are proposed for AEOs and trusted importers, including minimal verification, factory-to-port clearance for electronically sealed export cargo.
  - Immediate release of low-risk imports on arrival and a shift to a warehouse operator-centric, self-declaration and risk-based audit framework to reduce delays and compliance costs.

- **Ease of Living**
    - To enhance ease of living, w.e.f. April 01, 2026 the customs duty on goods imported for personal use under heading 9804 reduced from 20% to 10%. Social Welfare Surcharge (SWS) at the rate of 10% of BCD will be imposed on such imports w.e.f. April 01, 2026. The new rates will be applicable for all kinds of personal imports, including gifts received from abroad.
    - Further, to provide relief to patients, especially those suffering from cancer, BCD to be exempted on 17 drugs/medicines.
    - In addition, 7 more rare diseases are proposed to be included for the purpose of duty exemption on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment.

- **Ease of Doing Business**
    - Cargo clearance approvals from multiple government agencies will be integrated through a single digital window, with key food, drug, plant, animal and wildlife clearances operational by April 2026.
    - Immediate customs clearance is proposed for goods with no compliance requirements upon online registration and duty payment.
    - The Customs Integrated System (CIS) is a proposed unified digital platform that will integrate all Customs-related processes for import, export, and transshipment into a single system. CIS will be rolled out within two years, alongside phased expansion of AI-enabled non-intrusive scanning to cover all containers at major ports.

- **Amendments to Courier Regulations to facilitate trade and e-commerce**
    - The cap on the value of goods exported through courier is being removed, enabling higher-value exports via courier mode.
    - Additionally, procedures for returns and rejects are being relaxed to support smoother e-commerce operations.
    - To decongest courier terminals and improve operational efficiency, the regulations will also permit return of goods to the country of origin, thereby streamlining import and export logistics under the courier mode.

Changes In The CTA

- CTA amended to modify the tariff entries w.e.f. February 02, 2026 (unless otherwise stated).
- AIDC rate will continue unchanged at 0.5 percent for New pneumatic tyres, of rubber of a kind used on aircraft (other than those attracting NIL BCD).
- Extension in the BCD exemption currently available on capital goods for use in the manufacturing of Lithium-Ion Cells for batteries of Electrically Operated Vehicles, to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS) also. This change is being made effective from February 02, 2026.
- Exemption from BCD is being extended to 17 new drugs/ medicines.
- Seven rare diseases that are part of National Policy for Rare Diseases are being added for extending customs duty exemption on drugs, medicines and food for special medical purposes when imported for personal use.
- For the 33 entries, new tariff lines have been created in the First Schedule for the purposes of tarrifisation of effective rates (w.e.f. May 01, 2026).
- Review of comprehensive Exemption Notification No. 45/2025-Customs dated October 24, 2025
    - 102 exemptions/concessional rates are being extended upto March 31, 2028;
    - 22 exemptions/concessional rates are being lapsed on their end dates of March 31, 2026;
    - 14 unconditional exemptions (including 5 redundant exemption entries) are being lapsed vide omitting the entries w.e.f. February 02, 2026; and
    - Sunset clause is being removed from 3 unconditional exemption entries & prescribed for 4 conditional exemption entries

Key Changes In BCD Rate

- **Modification in Tariff rate for BCD to be effective from February 02,2026:**

S. No.	Tariff Item	Commodity	Rate of Basic Customs Duty	
			From	To
1	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or INR 60 per piece, whichever is higher
2	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of various types of Umbrellas and Walking sticks, classifiable under Heading 6601 to 6602	10%	10% or INR 25 per kg., whichever is higher

- **Decrease in Tariff rate to be effective from April 01, 2026:**

S. No.	Tariff Item	Commodity	Rate of Basic Customs Duty	
			From	To
1	9804	All dutiable goods, imported for personal use	20%	10%

- **Tariff rate changes (without any change in existing effective rate of duty) to be effective from May 01, 2026 unless otherwise specified:**

S. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
1	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2	0306 36 60	Artemia	5%	Nil
3	0511 91 40	Artemia cysts	5%	Nil
4	0802 11 00	Almonds, in shell	INR 42 per kg	INR 35 per kg
5	0802 12 00	Almonds, shelled	INR 120 per kg	INR 100 per kg
6	0802 31 00	Walnuts, in shell	120%	100%
7	1209 (other than those falling under sub headings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
8	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11	2309 90 31	Prawn and shrimps feed	15%	5%
12	2504	Natural graphite	5%	2.5%
13	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of ores, slag and ash	5%	Nil
14	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
15	2530 90 91	Strontium sulphate (natural ore)	5%	Nil

S. No.	Tariff Item		Commodity	Rate of Duty	
				From	To
16		2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17		2709 00 10	Petroleum crude	5%	Re 1 per tonne
18		2804 50 20	Tellurium	5%	Nil
19		2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20		2804 69 00	Silicon, other	5%	Nil
21		2804 90 00	Selenium	5%	Nil
22		2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23		2809 20 10	Phosphoric Acid	7.5%	5%
24		2811 22 00	Silicon dioxide	7.5%	2.5%
25		2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
26		2822 00 10	Cobalt oxides	7.5%	Nil
27		2822 00 20	Cobalt hydroxides	7.5%	Nil

28	2822 00 30	Commercial cobalt oxides	7.5%	Nil
29	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30	2825 30	Vanadium oxides and hydroxides	7.5%	Nil
31	2825 60 10	Germanium oxides	7.5%	Nil
32	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
33	2825 80 00	Antimony Oxides	7.5%	Nil
34	2825 90 20	Cadmium oxide	7.5%	Nil
35	2827 35 00	Chlorides of Nickel	7.5%	Nil
36	2827 39 30	Strontium chloride	7.5%	Nil
37	2833 24 00	Sulphates of Nickel	7.5%	Nil
38	2834 21 00	Nitrates of potassium	7.5%	Nil
39	2836 91 00	Lithium carbonates	7.5%	Nil
40	2836 92 00	Strontium carbonate	7.5%	Nil
41	2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
42	2918 15 30	Bismuth citrate	7.5%	Nil
43	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%
44	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
45	3808 93 30	Gibberellic acid	10%	5%
46	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
47	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil

48	5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
49	7202 60 00	Ferro-nickel	2.5%	Nil
50	7402 00 10	Blister copper	5%	Nil
51	7802	Lead waste and scrap	5%	Nil
52	7902	Zinc waste and scrap	5%	Nil
53	8105 20 30	Cobalt powders	5%	Nil
54	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%

- **New Tariff items being created with effect from May 01, 2026:**

S. No.	Tariff Item	Commodity	New tariff item being created	Rate of duty
55	0306 19 00	Krill, frozen	0306 19 10	15%
56	0802 99 00	Pecan Nuts	0802 99 10	30%
57	0810 40 00	Cranberries, fresh	0810 40 10	10%
58	0810 40 00	Blueberries, fresh	0810 40 20	10%
59	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
60	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%
61	0813 40 90	Cranberries, dried	0813 40 30	10%
62	0813 40 90	Blueberries, dried	0813 40 40	10%
63	1207 99 90	Shea Nuts	1207 99 50	15%
64	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
65	2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
66	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 (other than 2106 90 51)	50%
67	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium Fluoride	2529 22 10	2.5%

S. No.	Tariff Item	Commodity	New tariff item being created	Rate of duty
69	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70	2841	Ammonium metavanadate	2841 90 10	2.5%
71	29	Gibberellic acid	2932 20 40	5%
72	29	Triethyl orthoformate	2915 90 96	5%
73	29	Diethyl malonate	2917 19 22	5%
74	29	DL-2 Aminobutanol	2922 19 30	5%
75	29	Aceto butyrolactone	2932 20 50	5%
76	29	Artemisinin	2932 99 30	5%
77	29	Thymidine	2934 99 50	5%
78	3302 10	Mixtures of odoriferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
79	4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10, 4106 31 10, 4106 91 10	Nil
80	4702	Rayon grade wood pulp	4702 00 10	2.5%
81	4823 90 90	All goods other than kites	4823 90 90 (kites fall under new tariff item 4823 90 40)	10%
82	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%

S. No.	Tariff Item	Commodity	New tariff item being created	Rate of duty
83	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%
84	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%
85	8507 90	Battery separators	8507 90 20	5%
86	8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%
87	8609 00 00	Refrigerated containers	8609 00 10	5%

Review Of Customs Duty Exemptions

- Review of exemptions/concessional rates of BCD prescribed in notification No. 45/2025-Customs dated October 24, 2025:
- The details inter alia of exemptions/ concessional rates being extended, with or without modifications, are as under:

S.No.	S.No. of notification	Brief Description	End date
1	85	Specified bunker fuels for use in ships or vessels	31.03.2028
2	98	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to July 19, 2012	31.03.2028
3	99	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to July 19, 2012	31.03.2028
4	134	Specified goods for use in the manufacture of sheets or backsheet, which are used in the manufacture of solar photovoltaic cells or modules [The entry has been modified]	31.03.2028
5	228	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off- shore oil exploration or exploitation	31.03.2028

6	229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations	31.03.2028
7	256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system	31.03.2028
8	277	Goods imported for being tested in specified test Centers	31.03.2028
9	280	Specified goods for use in the manufacturing of Microphones	31.03.2028
10	293	Parts, components and accessories for use in manufacture of reception apparatus for television	31.03.2028
11	294	Parts, components and accessories for manufacture of CCTV Camera	31.03.2028
12	295	Parts, components and accessories except Lithium-ion cell and PCBA for use in manufacture of Lithium-ion battery and battery pack	31.03.2028
13	296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack	31.03.2028
14	297	Open cell for use in the manufacture of LCD and LED TV panels	31.03.2028
15	302	Specified goods for use in the manufacture of LCD and LED TV panels	31.03.2028
16	306	Magnetrons of up to 1.5 KW used for the manufacture of domestic microwave ovens	31.03.2028
17	314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells	31.03.2028
18	319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV	31.03.2028
19	320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	31.03.2028
20	321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle	31.03.2028
21	333	Parts of gliders or simulators of aircraft (excluding rubber tyres and tubes of gliders)	31.03.2028
22	334	Raw materials for manufacture of aircrafts and parts of aircrafts	31.03.2028
23	335	Components or parts including engines, of aircraft for manufacture of aircraft	31.03.2028
24	336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft	31.03.2028
25	337	Other Aircrafts	31.03.2028
26	338	Components or parts, including engines, of aircraft	31.03.2028

27	339	Satellites and payloads, ground equipment brought For testing and ground installations for satellite including its spares and consumables	31.03.2028
28	340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads	31.03.2028
29	341	All goods under heading 8802 (except CTH 8802 60)	31.03.2028
30	342	All goods under heading 8802 (except CTH 8802 6000)	31.03.2028
31	343	All goods under heading 8802 (except CTH 8802 6000)	31.03.2028
32	345	Parts (other than rubber tubes), of aircraft of heading 8802	31.03.2028
33	348	Parts (other than rubber tubes), of aircraft of heading 8802	31.03.2028
34	350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods	31.03.2028
35	355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up	31.03.2028
36	375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve	31.03.2028
37	376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases	31.03.2028
38	377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories Thereof	31.03.2028
39	382	Hospital Equipment for use in specified hospitals	31.03.2028
40	386	Raw materials, parts or accessories for the manufacture of Cochlear Implants	31.03.2028
41	387	X-Ray Baggage Inspection Systems and parts thereof	31.03.2028
42	388	Portable X-ray machine / system	31.03.2028
43	392	Parts and cases of braille watches, for the manufacture of Braille watches	31.03.2028
44	396	Parts of electronic toys for manufacture of electronic toys	31.03.2028
45	415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio- gas (Bio-CNG) using non-conventional materials	31.03.2028
46	440	All items of machinery, and auxiliary equipment for	31.03.2028

- Conditional exemption inter alia entries of notification no. 45/2025-Customs dated October 24, 2025 are being allowed to lapse on March 31, 2026:

S.No.	S.No. of notification	Brief Description	End date
2.	95	LPG, in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in SEZ and returned by the DTA unit to the SEZ unit from where such LPG were received.	31.03.2026
3.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	31.03.2026
4.	309	Raw materials or parts for use in manufacture of e-Readers	31.03.2026
5.	370	X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use	31.03.2026
6.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use	31.03.2026
7.	397	Parts of video games for the manufacture of video games	31.03.2026
8.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	31.03.2026

- Unconditional exemption/ concessional duty rate entries of notification no. 45/2025-Customs dated October 24, 2025 are also being lapsed by omitting the respective entries with effect from February 02, 2026:

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

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

- Sunset-clause for the following entries is being removed with effect from February 02, 2026:

S.No.	S.No. of TABLE I in notification	Brief Description
1.	303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527. *The said entry is being omitted w.e.f May 01, 2026 as the applicable rates will be incorporated in Tariff itself.
2.	353	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8901)
3.	356	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8906)

Excise

- **Amendment to Seventh Schedule to the Finance Act, 2001 (To be effective from May 01, 2026)**
  - NCCD Schedule rates on chewing tobacco (HS 2403 99 10), Jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) revised as below. The effective rate will remain unchanged*

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

The effective rate will be maintained at 25 percent vide notification.

- **Exemption from central excise duty on value of Biogas/Compressed biogas (CBG) contained in blended compressed natural gas (CNG) (To be effective from February 02, 2026)**
  - The value of Biogas/ CBG and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.
- **Deferment of date of implementation of higher excise duty on sale of unblended diesel**
  - The implementation of levy of additional excise duty of INR 2 per litre on unblended diesel deferred till March 31, 2028.

Goods and Services Tax

Legislative Changes In Central Goods and Services Tax

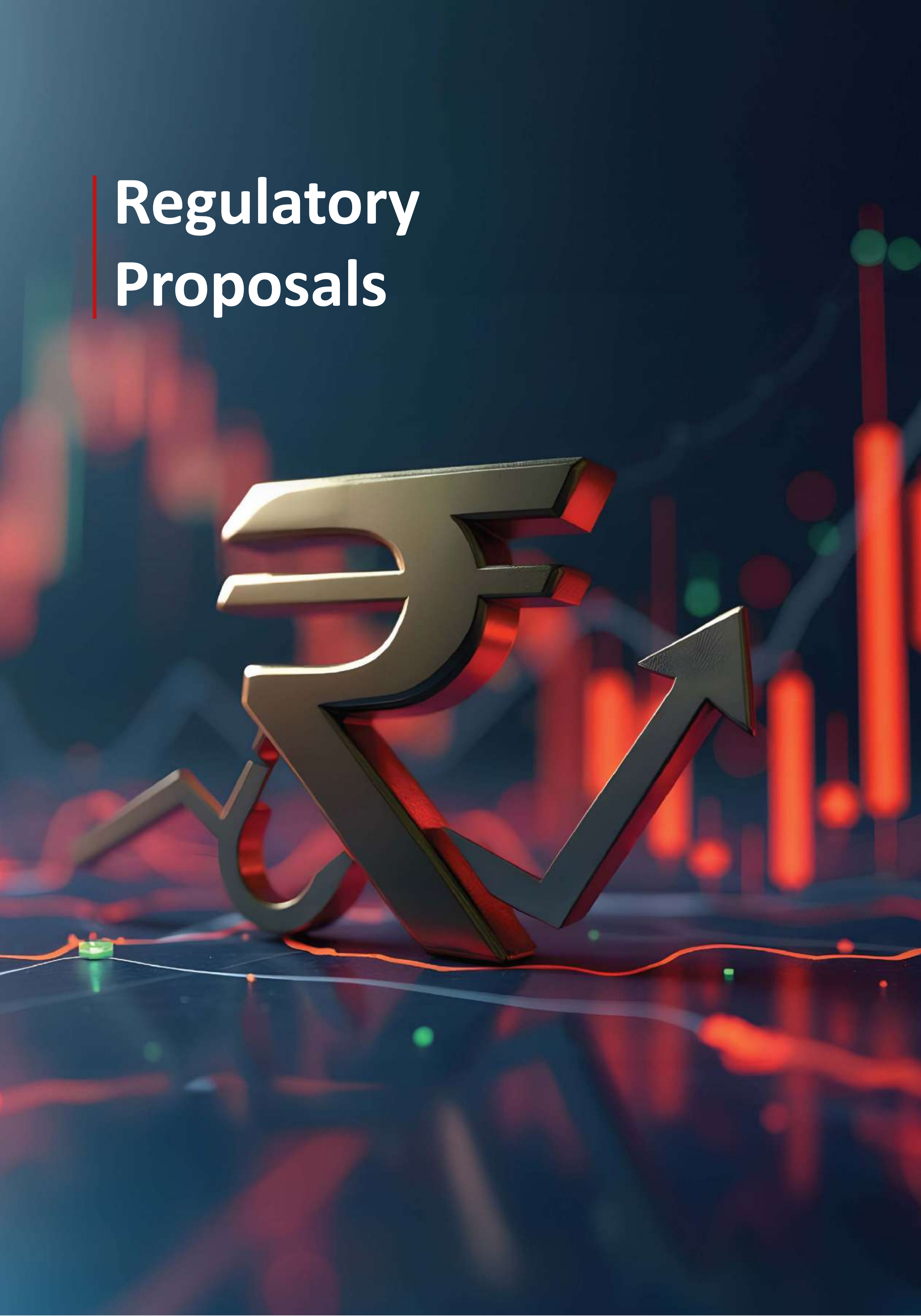
- **Post-sale discount provisions rationalized**
  - The requirement of linking the post-sale discount with an agreement has been done away with. The proposed provision stipulates that value of supply shall not include discount which is given after the supply has been effected if, for such discount, a credit note has been issued by the supplier and input tax credit attributable to such discount has been reversed by the recipient of supply in accordance with applicable provisions.
- **Provisional refund extended to inverted duty structure**
  - Refunds arising on account of inverted duty structure will now also be eligible for provisional refund mechanism.
- **Threshold limit for sanction of refund removed**
  - Refund claims in respect of goods exported with payment of tax will no longer be subject to any minimum threshold for sanction.
- **Interim appellate mechanism introduced**
  - The Government may empower an existing Authority (which also includes a Tribunal) as the National Appellate Authority for Advance Rulings to hear appeals where conflicting Advance Rulings are given by the Appellate Authorities of two or more States or Union territories. This amendment will come into effect from April 01, 2026.

Legislative changes in Integrated Goods and Services Tax

- **Place of Supply for Intermediary Services amended**
  - The place of supply for intermediary services will now be determined as per the location of the recipient of services.

Particulars	Date From Which Changes Will Be Effective
GST Legislative Changes	Amendments to come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the similar Acts passed by the Centre, States and Union territories with Legislature, unless otherwise specified
Other Legislative Changes	Date of enactment of the FB, 2026 or from April 01, 2026/ May 1, 2026, or as specified in the FB, 2026
New rates of Customs Duty	February 02, 2026 unless otherwise specified

Regulatory Proposals



Regulatory Proposals

Introduction

The Government's 'Sankalp' is to focus on the poor, underprivileged and the disadvantaged.

Budget Theme

To deliver on the Sankalp, the following are the three '*kartavya*':

- **First kartavya:** To accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.
- **Second kartavya:** To fulfil the aspirations of people and build their capacity, making them strong partners in India's path to prosperity.
- **Third kartavya:** To ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

The aforesaid threefold approach requires a supportive ecosystem, including the following requirements:

- To sustain the momentum of structural reforms—continuous, adaptive, and forward-looking.
- A robust and resilient financial sector to mobilize savings, allocate capital efficiently and manage risks; and
- Cutting-edge technologies, including AI applications, to serve as force multipliers for better governance.

First Kartavya

Under the first kartavya, to accelerate and sustain economic growth, the following interventions have been proposed in six areas, i.e.

- Scaling up manufacturing in 7 strategic and frontier sectors;
- Rejuvenating legacy industrial sectors;
- Creating "Champion MSMEs";
- Delivering a powerful push to Infrastructure;
- Ensuring long-term energy security and stability; and
- Developing City Economic Regions

• Scaling up manufacturing in 7 strategic and frontier sectors;

- **Biopharma *SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation):*** The proposed Biopharma SHAKTI initiative aims to position India as a global biopharma manufacturing hub with a total outlay of INR 1,00,000 million over five years. The programme focuses on building a robust ecosystem for the domestic production of biologics and biosimilars. Key measures include establishing a biopharma-focused institutional network through three new NIPERs with the upgradation of seven existing NIPERs. Further, it is proposed to develop a network of over 1,000 accredited clinical trial sites across India and strengthen the CDSCO to meet global regulatory standards as well as approval timelines by creating a dedicated scientific review cadre and specialist capacity.
- **India Semiconductor Mission (ISM) 2.0:** Considering the success of ISM 1.0, it is proposed to launch ISM 2.0 to produce equipment and materials, design full-stack Indian IP, and fortify supply chains. The Government will also focus on industry-led research and training centres to develop technology and skilled workforce.

- **The Electronics Components Manufacturing Scheme:** It is proposed to increase the outlay of the scheme to INR 4,00,000 million to capitalise on the momentum.

- **Rare Earth Corridors:** For the purpose of promoting mining, processing, research and manufacturing, it is proposed to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to establish dedicated Rare Earth Corridors.

- **Chemical Parks:** The Government proposes to launch a Scheme to support States in establishing 3 dedicated Chemical Parks, through challenge route, on a cluster-based plug-and-play model for the purpose of enhanced domestic chemical production and reduce import-dependency.

- **Capital goods:** Strong capital goods capability is a determinant of productivity and quality across different sectors. Considering the same, the Government has proposed the following towards building this capacity:

  - Establishing **Hi-Tech Tool** Rooms by CPSEs at 2 locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost.

  - Introducing a **Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)** to strengthen domestic manufacturing of high-value and technologically advanced CIE. This can range from lifts in a multi-story apartment, fire-fighting equipment, large and small, to tunnel-boring equipment for building metros and high-altitude roads.

  - Proposed a **Scheme for Container Manufacturing** to create a globally competitive container manufacturing ecosystem, with a budgetary allocation of INR 1,00,000 million over a 5-year period.

- An **Integrated Programme** has been proposed by the Government for the labour-intensive Textile Sector with following 5 sub-parts:

  - The National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres, and new-age fibres;

  - Textile Expansion and Employment Scheme to modernize traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres;

  - A National Handloom and Handicraft programme to integrate and strengthen existing schemes and ensure targeted support for weavers and artisans;

  - Tex-Eco Initiative to promote globally competitive and sustainable textiles and apparels;

  - Samarth 2.0 to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions.

- **Mega Textile Parks:** It is proposed to set up Mega Textile Parks in challenge mode which could also focus on bringing value addition to technical textiles.

- **Mahatma Gandhi Gram Swaraj initiative:** This initiative aims to strengthen the khadi, handloom, and handicrafts sectors by enhancing global market linkages and branding. It focuses on streamlining and supporting training, skilling, and quality in processes and production, thereby improving competitiveness. The programme will benefit weavers, village industries, the One District–One Product initiative, and rural youth, contributing to sustainable livelihood generation and rural economic development.

- **Sports goods:** A dedicated initiative has been proposed for sports goods that will promote manufacturing, research and innovation in equipment design as well as material sciences.

▪ Rejuvenating legacy industrial sectors;

The Government proposes to introduce a Scheme to revive 200 legacy industrial clusters to improve their cost competitiveness and efficiency through infrastructure and technology upgradation.

▪ Creating "Champion MSMEs"

Recognising MSMEs as a vital engine of growth, a three-pronged approach has been proposed to help them grow as 'Champions':

- **Equity Support:** A dedicated INR 1,00,000 million SME Growth Fund has been proposed to create future Champions, incentivizing enterprises based on select criteria. It is also proposed to top up the Self-Reliant India Fund set up in 2021, with INR 20,000 million to continue support to micro enterprises and maintain their access to risk capital.

- **Liquidity Support:** To leverage full potential of TReDS, four measures have been proposed viz., : (i) mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs,; (ii) introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on TReDS platform; (iii) link GeM with TReDS for sharing information with financiers about government purchases from MSMEs; (iv) introduce TReDS receivables as asset-backed securities.

- **Professional Support:** To enable MSME to meet compliance requirements at affordable cost, the Government will facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras'.

Delivering a powerful push to Infrastructure

- The Government continues to focus on developing infrastructure in cities with over 5 lakh population (Tier II and Tier III), which have expanded to become growth centres.
- In FY 2026-27, it is proposed to increase public capex to INR 12.2 lakh crore to continue the momentum.
- Further, an **Infrastructure Risk Guarantee Fund** is proposed to set up to provide prudently calibrated partial credit guarantees to lenders. Further, it will strengthen the confidence of private developers regarding risks during infrastructure development and construction phase.
- Recycling of significant **real estate assets of CPSEs through the setting up of dedicated REITs** is intended to be accelerated.
- To promote environmentally sustainable movement of cargo, the Government proposes to
  - Establish new **Dedicated Freight Corridors** connecting Dankuni in the East, to Surat in the West;
  - Operationalise **20 new National Waterways** (NW) over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra. **Training Institutes** will be set up as Regional Centres of Excellence for development of the required manpower. Further, a **ship repair ecosystem** catering to inland waterways will also be set up at Varanasi and Patna;
  - Launch a **Coastal Cargo Promotion Scheme** for incentivising a modal shift from rail and road, to increase the share of inland waterways and coastal shipping from 6 percent to 12 percent by 2047.
- To enhance last-mile and remote connectivity, and promote tourism, it is proposed to give incentives to indigenize manufacturing of seaplanes. Additionally, a Seaplane VGF Scheme will also be introduced to provide support for operations.

Ensuring long-term energy security and stability

Aligning with the roadmap launched in December 2025, **Carbon Capture Utilization and Storage (CCUS)** technologies at scale will achieve higher readiness levels in end-use applications across five industrial sectors, including, power, steel, cement, refineries and chemicals. An outlay of INR 2,00,000 million is proposed over the next 5 years.

Developing City Economic Regions (CERs)

- A budget of INR 50,000 million per CER over 5 years is proposed to be allocated for implementing plans by Tier II and Tier III cities through a challenge mode with a reform-cum-results based financing mechanism.
- To promote environmentally sustainable passenger systems, the Government will develop seven High-Speed Rail corridors between specified cities as 'growth connectors'.
- **Financial Sector:**
  - A **"High Level Committee on Banking for Viksit Bharat"** is proposed to be set up to comprehensively review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion and consumer protection.
  - In order to achieve scale and improve efficiency in the Public Sector NBFCs, it is proposed to **restructure the Power Finance Corporation and Rural Electrification Corporation.**
  - A comprehensive review of the **Foreign Exchange Management (Non-debt Instruments) Rules** has been proposed to create a more contemporary, user-friendly framework for foreign investments, consistent with India's evolving economic priorities.

- It is proposed to introduce a market making framework for **Corporate bond market** with suitable access to funds and derivatives on corporate bond indices. It is also proposed to introduce total return swaps on corporate bonds.
- An incentive of INR 1,000 million for a single bond issuance of more than INR 10,000 million is proposed to encourage the issuance of **municipal bonds** of higher value by large cities.
- **Ease of doing business**: Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to increase the investment limit for an individual PROI under this scheme from 5 percent to 10 percent, with an overall investment limit for all individual PROIs to 24 percent, from the current 10 percent.

SECOND KARTAVYA

The second kartavya is to fulfil aspirations and build capacity. It has been decided to place a renewed emphasis on the Services Sector to provide a pathway to fulfilling aspirations of a youthful India, with the following measures:

High-Powered 'Education to Employment and Enterprise' Standing Committee

The Government proposes to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat. This will make India a global leader in services, with a 10 percent global share by 2047.

Creation of Professionals for Viksit Bharat

To create a new range of skilled career pathways for youth, interventions are proposed in the following sectors:

- **Health:** Existing Allied Health Professional (AHP) institutions will be upgraded and new ones established across key disciplines, adding 0.1 million AHPs over 5 years. A strong care ecosystem will also be developed to train 0.15 million multiskilled caregivers in geriatric and allied care through NSQF-aligned programs.
- **Hubs for Medical Value Tourism:** A scheme will be launched to establish five Regional Medical Hubs in partnership with States and the private sector, creating integrated healthcare complexes with medical, education, research, AYUSH, diagnostics, and rehabilitation facilities, and generating diverse employment opportunities for doctors and allied health professionals.
- **AYUSH:** Building on the global recognition of Yoga and Ayurveda, the Government will strengthen the AYUSH ecosystem by setting up three new All India Institutes of Ayurveda, upgrading AYUSH pharmacies and drug testing laboratories, and enhancing the WHO Global Traditional Medicine Centre at Jamnagar to promote high-quality certification, skilled manpower, and evidence-based research in traditional medicine.
- **Animal Husbandry:** To enhance livestock income and address the shortage of veterinary professionals, the Government will introduce a loan-linked capital subsidy scheme to support the establishment of veterinary and paravet colleges, hospitals, diagnostic labs, and breeding facilities in the private sector, along with promoting collaboration between Indian and foreign institutions.
- **Orange Economy:** To meet the growing demand for skilled professionals in the Animation, Visual effects, Gaming and Comics (AVGC) sector, the Government will support the Indian Institute of Creative Technologies, Mumbai to establish AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges, strengthening the talent pipeline for the industry.
- **Design:** To address the shortage of skilled designers, the Government will establish a new National Institute of Design in Eastern India through a challenge-based route to strengthen design education and promote industry growth.
- **Education:** The Government will support States in developing 5 University Townships near major industrial and logistics corridors to create integrated education and research hubs. Additionally, one girls' hostel will be established in every district to support women in Science, Technology, Engineering and Mathematics ('STEM') education, and four major telescope and planetarium facilities will be set up or upgraded to promote astrophysics and astronomy.
- **Tourism:** The Government will strengthen tourism-led employment by upgrading the National Council for Hotel Management into a National Institute of Hospitality, launching a pilot to upskill 10,000

tourist guides, and creating a National Destination Digital Knowledge Grid. Ecologically sustainable trekking, turtle and bird-watching trails will be developed across key regions, and India will host the first Global Big Cat Summit to advance international conservation efforts.

- **Heritage and Cultural Tourism:** The Government will develop 15 archaeological sites into experiential cultural destinations by opening excavated landscapes through curated walkways and introducing immersive storytelling, conservation labs, interpretation centres and trained guides.
- **Sports:** The Government will launch a Khelo India Mission to transform the sports sector by creating integrated talent development pathways, strengthening coaching and support staff, integrating sports science and technology, promoting competitions and leagues, and expanding sports infrastructure for training and events.

THIRD KARTAVYA

The third kartavya aligns with vision of Sabka Sath, Sabka Vikas towards a Viksit Bharat. This requires targeted efforts for:

- Increasing farmer incomes;
- Empowering Divyangjan;
- Reaffirming commitment to Mental Health and Trauma Care; and
- Focus on the Purvodaya States and the North-East Region.

Increasing farmer incomes

- **Fisheries:** Initiatives will be undertaken for integrated development of 500 reservoirs and Amrit Sarovars, and for strengthening the coastal fisheries value chain through market linkages involving start-ups, women-led groups, and Fish Farmer Producer Organizations.
- **Animal Husbandry:** The Animal Husbandry sector will be supported through credit-linked subsidies, modernization of livestock enterprises, development of integrated livestock, dairy and poultry value chains, and promotion of Livestock Farmer Producer Organisations to boost rural and peri-urban employment.
- **High Value Agriculture:** To diversify farm outputs, increase productivity, enhance farmers' incomes, and create new employment opportunities, the Government will support high value crops such as coconut, sandalwood, cocoa and cashew in coastal areas. Agar trees in North-East and nuts such as, almonds, walnuts and pine nuts in hilly regions will also be supported.
- **Coconut Promotion Scheme:** To further enhance competitiveness in coconut production, the Government has proposed a Coconut Promotion Scheme to increase production and enhance productivity through various interventions including replacing old and non-productive trees with new saplings/plants/varieties in major coconut growing States.
- **Indian Cashew and Indian Cocoa:** A dedicated programme is proposed for Indian cashew and cocoa to make India self-reliant in raw cashew and cocoa production and processing, enhance export competitiveness and transform Indian Cashew and Indian Cocoa into premium global brands by 2030.
- **Sandalwood:** The Government will partner with State Governments to promote focused cultivation and post-harvest processing to restore the glory of the Indian Sandalwood ecosystem.
- To rejuvenate old, low-yielding orchards and expand high-density **cultivation of walnuts, almonds and pine nuts**, the Government will support a dedicated programme to enhance farmer incomes and in bringing value addition by engaging youth.
- **Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources):** The Government will launch Bharat-VISTAAR, a multilingual AI platform integrating AgriStack and ICAR systems to provide customized farm advisory, improve productivity, and reduce risks for farmers.
- **SHE-Marts for Rural Women-led Enterprises:** SHE-Marts will be established as community-owned retail outlets to support rural women-led enterprises and promote entrepreneurship beyond credit-based livelihoods.

▪ Empowering Divyangjan

- **Divyangjan Kaushal Yojana:** The Government will promote dignified employment for Divyangjans in IT, AVGC, Hospitality, and Food & Beverages through customized, industry-relevant skill training tailored to specific disability groups.
- **Divyang Sahara Yojana:** To ensure timely access to high-quality assistive devices for all Divyangjans by supporting ALIMCO to scale production, invest in R&D and AI, and strengthening PM Divyasha Kendras with Assistive Technology Marts where users can see, try, and purchase devices.

▪ Reaffirming commitment to Mental Health and Trauma Care

The Government will set up NIMHANS-2 in North India and upgrade mental health institutes in Ranchi and Tezpur and expand District Hospital emergency and trauma care capacities by 50 percent to protect families from unexpected medical costs.

▪ Focus on the Purvodaya States and the North-Eastern Region

- **Purvodaya:** It is proposed to develop an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 Purvodaya States, and the provision of 4,000 e-buses.
- **Buddhist Sites in North-Eastern Region:** The Government proposes to launch a Scheme for Development of Buddhist Circuits in Arunachal, Sikkim, Assam, Manipur, Mizoram, and Tripura, covering temple preservation, interpretation centers, connectivity, and pilgrim amenities.

16th Finance Commission

As recommended by the 16th Finance Commission, the Government have provided INR 1.4 lakh crore to the States for the FY 2026-27 as Finance Commission Grants. These include Rural and Urban Local Body and Disaster Management Grants.Increasing farmer incomes;

Fiscal Consolidation

The debt-to-GDP ratio is estimated to be 55.6 percent of GDP in Budget Estimates for FY 2026-27, as compared to 56.1 percent of GDP in revised estimates for FY 2025-26. A declining debt-to-GDP ratio will gradually free up resources for priority sector expenditure by reducing the outgo on interest payments. Further, in line with the new fiscal prudence path of debt consolidation, the fiscal deficit in Budget Estimates for FY 2026-27 would be approx. 4.3 percent of GDP.

Revised Estimates 2025-26

The Revised Estimates of the non-debt receipts are INR 34 lakh crore, of which the Centre's net tax receipts are INR 26.7 lakh crore. The Revised Estimate of the total expenditure is INR 49.6 lakh crore, out of which the capital expenditure is about INR 11 lakh crore.

Budget Estimates 2026-27

For FY 2026-27, non-debt receipts are estimated at INR 36.5 lakh crore, total expenditure at INR 53.5 lakh crore, and the Centre's net tax receipts at INR 28.7 lakh crore. To finance the fiscal deficit, the net market borrowings from dated securities are estimated at INR 11.7 lakh crore. The balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at INR 17.2 lakh crore.

Glossary

Glossary

Glossary	
AAR	Authority for Advance Rulings
AEO	Authorised Economic Operator
AHP	Allied Health Professional
AI	Artificial Intelligence
AIDC	Agriculture Infrastructure and Development Cess
ALIMCO	Artificial Limbs Manufacturing Corporation of India
ALP	Arm's Length Price
AO	Assessing Officer
APA	Advance Pricing Agreement
AVGC	Animation, Visual Effects, Gaming and Comics
AY	Assessment Year
AYUSH	Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homoeopathy
BCD	Basic Customs Duty
BE	Budget Estimates
BMA	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
CBDT	Central Board of Direct Tax
CCUS	Carbon Capture Utilization and Storage
CDSCO	Central Drugs Standard Control Organisation
CEA	Central Excise Act, 1944
CENVAT	Central Value Added Tax
CER	City Economic Region
CG	Capital Gain
CGST/CGST Act	Central Goods and Services Tax Act, 2017
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CIE	Construction and Infrastructure Equipment
CIS	Customs Integrated System
CIT/Commissioner	Commission of Income Tax
CKD	Completely Knocked Down
CPSE	Central Public Sector Enterprise

Glossary

CTA	Customs Tariff Act, 1975
Customs Act	Customs Act, 1962
DIN	Document Identification Number
DRC	Dispute Resolution Committee
DRP	Dispute Resolution Panel
DS	Disclosure Scheme
DTA	Domestic Tariff Area
EOU	Export Oriented Unit
Evs	Electrical operated vehicles
F&O	Futures and Options
FA	Foreign Assets
FAO	Faceless Assessing Officer
FAST-DS 2026	Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026
FB 2026	Finance Bill, 2026
FM	Finance Minister
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
GCC	Global Capability Center
GDP	Gross Domestic Product
GeM	Government e-Marketplace
GST	Goods & Services Tax
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ICAR	Indian Council of Agricultural Research
ICDS	Income Computation and Disclosure Standards
ICMAI	Institute of Cost Accountants of India
ICSI	Institute of Company Secretaries of India
IFSC	International Finance Services Centre
IGST/IGST Act	Integrated Goods and Services Tax Act, 2017
INR	Indian Rupees
IP	Intellectual Property
ISD	Input Service Distributor
ISM	India Semiconductor Mission
IT	Information Technology
IT Act, 1961	Income Tax Act, 1961
IT Act, 2025	Income Tax Act, 2025
ITAT	Income Tax Appellate Tribunal

Glossary	
ITC/Credit	Input Tax Credit
JAO	Jurisdictional Assessing Officer
LPG	Liquified petroleum gases
LRS	Liberalised Remittance Scheme
LTCG	Long Term Capital Gain
MAT	Minimum Alternative Tax
MCA	Ministry of Corporate Affairs
MSME	Micro, Small & Medium Enterprises
MSMEs	Micro, Small, and Medium Enterprises
MW	Mega Watt
NaFAC	National Faceless Assessment Centre
NBFC	Non-Banking Financial Company
NIMHANS	National Institute of Mental Health and Neuro Sciences
NIPER	National Institute of Pharmaceutical Education and Research
NPO	Non-Profit Organisation
NRI	Non Resident Indian
NSQF	National Skills Qualifications Framework
NW	National Waterway
OBU	Offshore Banking Units
ODOP	One District–One Product
PAN	Permanent Account Number
PCBA	Printed Circuit Board Assembly
PM	Prime Minister
PROI	Person Resident Outside India
PSU	Public Sector Undertaking
R&D	Research and Development
RBI	Reserve Bank of India
RCM	Reverse Charge Mechanism
RE	Revised Estimates
REIT	Real Estate Investment Trust
RFCTLARR	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
RIC	Road and Infrastructure Cess
SC	Supreme Court
Settlement Commission	Customs & Central Excise Settlement Commission
SEZ	Special Economic Zone
SGB	Sovereign Gold Bond
SHAKTI	Strategy for Healthcare Advancement through Knowledge, Technology and Innovation

Glossary

SHE-Marts	Self-help Entrepreneur Marts.
SKD	Semi Knocked Down
SME	Small and Medium Enterprise
STCG	Short Term Capital Gain
STEM	Science, Technology, Engineering, and Mathematics
STT	Securities Transaction Tax
SWS	Social Welfare Surcharge
TAN	Tax Deduction and Collection Account Number
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer
TReDS	Trade Receivables Discounting System
UTGST	Union Territory Goods and Services Tax Act, 2017
VDA	Virtual Digital Assets
VGF	Viability Gap Funding
VISTAAR	Virtually Integrated System to Access Agricultural Resources
w.e.f	with effect from
WHO	World Health Organization

About ASSOCHAM

The Associated Chambers of Commerce & Industry of India (ASSOCHAM) is the country's apex national chamber since 1920. It advocates actionable policy suggestions to strengthen the Indian economy by leveraging its extensive membership reach of over 450,000 companies, comprising of large corporates and SMEs. With over 70 Sector and State Councils, ASSOCHAM effectively represents diverse segments of the Indian industry and focuses on aligning industry priorities with the nation's growth aspirations.

The Associated Chambers of Commerce and Industry of India

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About Nangia Global

Nangia Global is a leading professional services firm built on the Nangia Group's four-decades legacy of excellence, trust and innovation. We support organisations across industries with comprehensive capabilities in Tax and Regulatory Services, M&A and Corporate Finance, Technology and AI Strategy, Risk Advisory, Cybersecurity and Data Privacy, Sustainability and Climate Solutions. Our commitment to quality and integrity ensures the delivery of clear, practical and future-ready solutions that help clients navigate complexity, seize opportunities and achieve sustainable growth. Powered by the experience and expertise of over 1,500 professionals within the Nangia Group, we combine global best practices with deep sector insights to deliver value-driven, client-focused outcomes. At Nangia Global, our purpose is to empower organisations to make informed decisions, transform with confidence and thrive in an evolving world.

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