

India Budget 2026

Review of Tax Proposals

STABILITY IS NOT THE SAME AS CERTAINTY

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SDU View

FINANCE BILL 2026: STABILITY IS NOT THE SAME AS CERTAINTY

Stability is the dominant theme of the Finance Bill, 2026. That stability, however, should not be mistaken for certainty. While the Bill broadly preserves the existing tax framework, several areas of interpretational and procedural uncertainty for taxpayers continue to remain.

The Budget speech is wide-ranging and largely positive in tone, with a strong focus on growth and long-term capacity building. At a policy level, the emphasis is on continuity. As always, the real test will lie in execution. This Communiqué confines itself to the tax proposals and their implications.

From a direct tax perspective, attention remains firmly on the transition from the Income-tax Act, 1961 ('ITA 1961') to the Income-tax Act, 2025 ('ITA 2025'). The ITA 2025 was notified less than 7 months back, following extensive consultation and deliberation. Despite this, the Finance Bill, 2026 ('FB') proposes as many as 87 amendments to this law even before it comes into force on 1 April 2026. While many of these appear to be clerical, technical or transitional in nature, the scale and timing of the changes raise questions around legislative finality and administrative preparedness. For taxpayers, this underscores the need for caution during the transition period.

Changes relating to tax collection at source ('TCS') and return filing timelines are broadly positive. Reduced TCS rates in specified cases and additional time to file revised returns acknowledge compliance challenges and cash-flow constraints faced by taxpayers. The benefit of these measures will depend on clear procedural guidance and timely system changes.

The proposed changes to the transfer pricing safe harbour framework signal an intent to reduce disputes, particularly for the IT and IT-enabled services sector. For eligible taxpayers willing to accept prescribed margins, these measures could offer a degree of operating certainty. We yet need to wait for the notifications for assessing the finality of the proposals.

Buy-back taxation continues to remain unsettled. The current proposal seeks to address perceived arbitrage by shifting the tax incidence to shareholders, but it does not fully resolve the uncertainty created by frequent changes in approach over recent years. Issues relating to promoter structures, treatment of costs and interaction with capital gains provisions may continue to give rise to interpretational disputes. As a result, genuine corporate restructuring through buy-backs or impact on investments through Funds (AIFs) may remain both complex and costly.

Incentives for data centres are directionally positive and align with India's digital infrastructure objectives. However, for global customers using such facilities, questions remain around India's evolving positions on virtual permanent establishment and significant economic presence. Without clearer guidance on these

aspects, fiscal incentives alone may not fully address concerns around tax exposure.

A more immediate operational issue arises from the proposal to align penalty proceedings with assessment timelines. Determining penalties alongside assessments raises practical concerns around discretion, timing pressures and the risk of penalty being treated as a default outcome rather than an exception. Much will depend on how field officers exercise discretion in practice. These changes could materially affect demand creation, litigation volumes and assessment conduct.

On another perspective – the FB proposes four amendments, though on procedural matters, to address high-volume litigation pending at the Supreme Court. Given these proposals apply retroactively their application will likely be contested. Of course, this could have been avoided if the amendments were prospective. Given the tax demands at stake, this approach of the Government, cannot be said to be unexpected but yet doesn't address certainty in the true sense.

On the Indirect Taxes, as always, GST proposals are in line with the recommendations of the GST Council. Insofar as it relates to Customs, the increase in the validity period for orders from the advance ruling authorities from 3 to 5, adds to the theme of stability. Again, though as a one-time measure, enabling SEZ manufacturers to supply to the domestic at concessional rates, in times where the exports are challenged, further adds to stability.

Increase in the threshold for exports through courier, removal of prior permission to move goods from one warehouse to another contribute to Ease of Doing Business ('EODB'). Faster clearances for imports with no compliance and automatic notification of imports by trusted importers also add to EODB. Use of technology by the Government is not left behind - use of AI for risk assessment and implementation of customs integrated system will be done in a phased manner.

Having mentioned the above, some broader institutional issues continue to remain unaddressed. The absence of any reference to the Taxpayers' Charter, or to an accountability framework for tax administration, represents a missed opportunity to strengthen taxpayer confidence during a significant transition.

Overall, the FB reinforces policy continuity and stability. Whether this stability translates into certainty will depend on implementation – particularly as taxpayers and the administration transition to the ITA 2025 from April 2026 and the new procedures. Taxpayers would be well advised to review positions, documentation and preparedness ahead of the new regime. The timely rollout of rules, forms and systems, and the manner in which discretion is exercised on the ground, will ultimately shape the taxpayer experience.

In tax, stability is welcome; certainty takes a little longer.....but certainty is what really matters!

DIRECT Tax Proposals¹

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A. [RATES OF INCOME-TAX](#)

PERSONAL TAX RATES (EFFECTIVE TAX YEAR ('TY') / FY 2026-27)

'New' / default tax regime

There are no changes proposed in tax rates for individuals, Hindu Undivided Families, association of persons (other than a co-operative society), body of individuals and artificial judicial person. The tax rates **under the new tax regime**, shall be as follows:

Total Income (INR)	Rate of Tax
Up to INR 4,00,000	Nil
From INR 4,00,001 to INR 8,00,000	5%
From INR 8,00,001 to INR 12,00,000	10%
From INR 12,00,001 to INR 16,00,000	15%
From INR 16,00,001 to INR 20,00,000	20%
From INR 20,00,001 to INR 24,00,000	25%
Above INR 24,00,000	30%

Under the above regime, the rebate on taxes on income (other than special rate income such as capital gains) is INR 12,00,000. As such, factoring the standard deduction of INR 75,000, there would be no tax liability up to an income of INR 12,75,000.

¹ All provisions are effective from 1st April 2026, unless specifically stated otherwise.

Additional remarks on the above tax regime:

- For availing the above tax rates, the taxpayer will have to forego specified exemptions and deductions.
- The above taxable income slabs apply to all individuals irrespective of age. Hence, the basic exemption limit for senior and super senior citizens under the new tax regime will also be INR 4,00,000 from TY 2026-27.
- The new tax regime is proposed as the default tax regime for taxpayers.
- For taxpayers who wish to opt out of the new tax regime, such option is to be exercised at the time of filing of return of income every year.
- For taxpayers who earn income from business or profession and who opt out of the new tax regime, the option of opting back to the new tax regime can be exercised only once.
- The tax computed as above under the new tax regime will be increased by surcharge as follows:

Sl. No.	Total Income (INR)	Rate of Surcharge
A	Exceeding INR 50 Lakhs but less than INR 1 crore (including dividend and income under sections 196, 197 and 198 under the ITA 2025 (corresponds to sections 111A, 112 and 112A under the ITA 1961))	10%
B	Exceeding INR 1 crores (including dividend and income under sections 196, 197 and 198 of ITA 2025)	15%

C	Exceeding INR 2 crores (excluding dividend and income under sections 196, 197 and 198 of ITA 2025)	25%
D	Exceeding INR 2 crores (including dividend and income under sections 196, 197 and 198 of ITA 2025) but is not covered under clause (C) above	15%

Where the total income includes any income by way of dividend or income chargeable under sections 196, 197 and 198 of ITA 2025, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15% and the provisions of clause (A) or (B), as the case may be, shall apply accordingly.

For an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% (i.e. where total income exceeds INR 50 Lakhs but less than INR 1 crore, the rate of surcharge is 10% and where total income exceeds INR 1 crore, the rate of surcharge is 15%).

'Old' tax regime

Where taxpayers wish to not avail of the above regime, the existing slab rates as follows would apply for different 'types' of individual taxpayers such as senior citizens and super-senior citizens.

The tax rates are follows:

Total Income (INR)	Rate of Tax
Up to INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

For a resident individual aged 60 years or more but less than 80 years (senior citizen) at any time during the previous year, the tax rates shall be as follows:

Total Income (INR)	Rate of Tax
Up to INR 3,00,000	Nil
From INR 3,00,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

For a resident individual aged 80 years or more (super senior citizen) at any time during the previous year, the tax rates shall be as follows:

Total Income (INR)	Rate of Tax
Up to INR 5,00,000	Nil
From INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

Additionally, the rate of surcharge in such cases would be as follows:

Sl. No.	Total Income (INR)	Rate of Surcharge
A	Exceeding INR 50 Lakhs but less than INR 1 crore	10%
B	Exceeding INR 1 crores (including dividend and income under section 196, 197 and 198)	15%
C	Exceeding INR 2 crores but less than 5 crores (excluding dividend and income under section 196, 197 and 198)	25%
D	Exceeding INR 5 crores (excluding dividend and income under section 196, 197 and 198)	37%
E	Exceeding INR 2 crores (including dividend and income under section 196, 197 and 198) but is not covered under clauses (c) and (d)	15%

The above tax and surcharge are further increased by 'Health and Education Cess' of 4%.

Where the total income includes any income by way of dividend or income chargeable under sections 196, 197 and 198 of ITA 2025, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15% and the provisions of clause (A) or (B), as the case may be, shall apply accordingly.

TAX RATES FOR FIRMS

Tax rates for firms remain unchanged at 30% as per the ITA 2025. In addition to the normal tax rates, a surcharge at 12% would be applicable if the total income exceeds INR 1 crore.

CORPORATE TAX RATES

SPECIAL RATES

Special tax rates applicable in case of domestic companies are as follows:

Domestic Company	Tax Rate
Under section 200, who forego specific tax reliefs, set off brought forward losses etc.	22%
Under section 201 for new manufacturing companies	15%
<i>Rate of surcharge in case of above is 10% irrespective of amount of total income.</i>	

Once a company opts for special rates, it cannot opt out of the same.

REGULAR RATES

There are no changes proposed in corporate tax rates other than in Minimum Alternate Tax ('MAT'). The tax rate for corporates whose turnover is less than INR 400 crores in the FY 2024-25 is 25%. In all other cases, the rate is 30%.

Additionally, surcharge would be applicable as follows (except those opting for taxation under sections 200 and 201 of the ITA 2025 which correspond to section 115BAA and 115BAB of the ITA 1961):

Total Income (INR)	Surcharge
Exceeding INR 1 crore but less than INR 10 crores	7%
Exceeding INR 10 crores	12%

MAT rate has been reduced to 14% from the existing 15%.

For foreign companies, the tax rate shall be 35%. The surcharge continues as follows:

Total Income (INR)	Surcharge
Exceeding INR 1 crore but less than INR 10 crores	2%
Exceeding INR 10 crores	5%

Amount of tax computed and surcharge will be further increased by 'Health and Education Cess' of 4%.

Surcharge shall not apply on advance tax / tax computed on income of specified fund (referred to in Schedule VI(1) to (4) to Section 11 of the ITA 2025, which corresponds to 10(4D) of ITA 1961) that is chargeable under section 210 of the ITA 2025 which corresponds to section 115AD(1)(a) of the ITA 1961.

In other cases [including section 170 and 352 of the ITA 2025 which corresponds to Section 92CE(2A) and 115TD of the ITA 1961], the surcharge shall be levied at the rate of 12%.

Marginal relief is provided in surcharge in all cases. However, no marginal relief shall be available in respect of “Health and Education Cess on income-tax”, which also applies in all cases.

COOPERATIVE SOCIETIES

TAX RATES – ‘New’ tax regime

A co-operative society resident in India, on satisfaction of certain conditions, shall have the option to pay tax at 22% as per the provisions of Section 203. Additionally, surcharge would be at 10% on such tax. For availing this rate, the society will have to forego specified exemptions and deductions and fulfil certain conditions. Additional remarks on the above tax regime:

- The new tax regime is proposed as the default tax regime for taxpayers.
- For taxpayers who wish to opt out of the new tax regime, such option is to be exercised at the time of filing of return of income every year.
- For taxpayers who earn income from business or profession and who opt out of the new tax regime, the option of opting back to the new tax regime can be exercised only once.

TAX RATES – ‘Old’ tax regime

There are no changes proposed in cooperative societies’ tax rates. The tax rate for cooperative societies is as follows:

Total Income (INR)	Rate of Tax
Up to INR 10,000	10%
From INR 10,001 to INR 20,000	20%
From INR 20,001 and above	30%

Additionally, surcharge would be applicable as follows (except those opting for taxation under section 203 and 204 of ITA 2025 which corresponds to section 115BAD of the ITA 1961):

Total Income (INR)	Surcharge
Exceeding INR 1 crore but less than INR 10 crores	7%
Exceeding INR 10 crores	12%

SECURITIES TRANSACTION TAX

- Presently, STT is levied at 0.10% of the option premium on sale of an option, or 0.125% of the intrinsic value where the option is exercised, and at 0.02% of the traded price on sale of a future.
- To curb the disproportionate increase in futures and options trading potentially by speculators, the FB proposes to increase the STT to 0.15% in the case of options, and 0.05% in the case of futures.

B. RATIONALISATION OF TAX COLLECTED AT SOURCE RATES (EFFECTIVE FROM 1ST APRIL 2026)

Particulars	Current TCS rate	Proposed TCS rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore	1%	2%
Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding INR 10 lakhs	(a) 5% for purposes of education or medical treatment. (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment. (b) 20% for purposes other than education or medical treatment.
Sale of overseas tour programme package including expenses for travel or hotel stay or boarding or lodging or any	(a) 5% of amount or aggregate of amounts up to INR 10 lakhs. (b) 20% of amount or	2%

Particulars	Current TCS rate	Proposed TCS rate
similar or related expenditure	aggregate of amounts exceeding INR 10 lakhs.	

C. RATIONALISATION OF CERTAIN CHARGING AND PROCEDURAL PROVISIONS (EFFECTIVE FROM 1ST APRIL 2026)

Taxation of buyback of shares

- Finance Act 2025 introduced a new framework for taxation of income from share buy-backs. In this framework, consideration received by a shareholder on buy-back is treated as dividend income and taxed accordingly in the hands of the shareholder. The cost of acquisition of shares bought back is allowed separately as a capital loss.
- ITA 2025 was aligned to include the above provisions. The FB now proposes to restore the 'classical' framework of taxation of income from buy-backs such that the income on buy-back is taxed as capital gains' rather than dividend income.
- The FB also proposes, in view of the distinct role of promoters in buy-back decisions, that gains arising to promoters from buy-back shall be subject to an effective tax rate of 30% (including applicable tax and additional tax). In the case of promoter companies, the effective tax rate shall be 22%.
- For this purpose, the FB proposes to define promoters as :

(a) In case of a listed company: as defined in regulation 2(k) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 and

(b) in any other case: as defined in the 2013 Companies Act; or a person who holds directly or indirectly, more than 10% of the shareholding in the company.

Rationalization of tax rate on unexplained credits, unexplained investments, unexplained assets etc., and penalty on such arrangements

- The ITA 2025 in line with ITA 1961 provided for a tax rate of 60% on income on account of unexplained credits, unexplained investments, unexplained assets, unexplained expenditure etc., as against the normal tax rate. The FB proposes to reduce the tax rate to 30% from 60%.
- Further, penalty of 10% of the tax payable above is proposed to be omitted and subsumed under the penalties relating to misreporting of income.

Reassessment proceedings by Jurisdictional Assessing Officer ('JAO') v. Faceless Assessing Officer ('FAO')

- As noted in the Memorandum, presently, ITA 1961 follows a two-step reassessment process, where pre-assessment enquiries and issuance of notice are undertaken by the JAO, while the reassessment thereafter is carried out in a faceless manner by the FAO.

- There has been considerable litigation on whether the entire reassessment should be done by the FAO or the pre-assessment is to be done by JAO followed by the FAO carrying on the reassessment. There have been divergent High Court rulings on this issue resulting in uncertainty and litigation.
- Considering this, the FB proposes to amend the concerned provisions both in ITA 1961 and ITA 2025 to clarify that, notwithstanding any judgment, order or decree of any court, the power to conduct the pre-assessment proceeding shall vest only with the JAO (and not the FAO).
- The amendment in this regard applies to the ITA 1961 retrospectively from 1st April 2021 while in the ITA 2025, it would be effective from 1st April 2026.

Document Identification Number ('DIN') and assessment proceedings

- Presently, ITA 1961 contains provisions that protects assessments from being invalidated on account of minor procedural or technical defects, provided the assessment is substantively in accordance with the provisions of the ITA 1961.
- The Memorandum notes that courts have, in certain cases, invalidated assessment orders due to technical lapses in quoting the DIN, even where a valid DIN existed, resulting in increased litigation.
- Hence, the FB proposes to clarify that assessment orders which were earlier treated as invalid on account of defects relating to the quoting or manner of mentioning the DIN shall

not be considered invalid, where the order is referenced by DIN in any manner.

- This clarification is notwithstanding anything contained in any judicial ruling to the contrary, thereby possibly overriding such decisions.
- The amendment in this regard applies to the ITA 1961 retrospectively from 1st April 2019 while in the ITA 2025, it would be effective from 1st April 2026.

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

- Presently, ITA 1961 prescribes a special assessment procedure for eligible taxpayers (under section 144C of the ITA 1961), namely cases involving transfer pricing adjustments and for non-residents per which a draft assessment order ('DAO') is first issued. Thereafter, these taxpayers prefer objections against any prejudicial 'variation' in the DAO with the Dispute Resolution Panel ('DRP'). Where objections are so preferred, the Memorandum notes, final assessment order is to be passed beyond the 'general' time limits prescribed under the ITA 1961 for completing the assessments (under sections 153 and 153B of the ITA 1961).
- The Memorandum notes that judicial pronouncements have taken divergent views, with certain courts holding that the final assessment order under this special procedure should be passed within the overall 'general' time limits. As a result, these rulings have invalidated the assessments on limitation grounds.

- Considering this, the FB proposes to clarify that the 'general' time limits shall govern the assessment proceedings only up to the stage of issuance of the DAO, and that the finalisation of assessment thereafter shall be governed exclusively by the timelines prescribed under this special procedure (in section 144C of the ITA 1961).
- This clarification is notwithstanding anything contained in any judicial ruling to the contrary, thereby possibly overriding existing decisions.
- The amendment in this regard applies to the ITA 1961 retrospectively from 1st April 2009 / 1st October 2009 while in the ITA 2025, it would be effective from 1st April 2026.

Clarifying the manner of computation of 60 days for passing the order by the Transfer Pricing Officer ('TPO')

- Presently, a TPO is required to pass the transfer pricing order at least 60 days prior to the expiry of 'general' time limits prescribed under the ITA 1961 for completing the assessments (under sections 153 and 153B of the ITA 1961).
- The Memorandum notes that litigation arose regarding the manner of computing the 60-day period, with courts holding that the date of limitation should be excluded while computing the period, leading to annulment of otherwise valid assessments.
- Hence, the Memorandum proposes to clarify that the legislative intent was that the date of limitation under the 'general' time limits is to be included while computing the 60-day period. Amendments are proposed in this regard.

- This clarification is notwithstanding anything contained in any judicial ruling to the contrary, thereby possibly overriding existing decisions.
- The amendment in this regard applies to the ITA 1961 retrospectively from 1st June 2007 while in the ITA 2025, it would be effective from 1st April 2026.

Application of TDS on supply of manpower

- The Memorandum notes that presently, there is ambiguity on the applicable rate of TDS for supply of manpower i.e. whether to treat it as payment in respect of contracts or as professional fee.
- To clarify this aspect, the FB proposes to consider these arrangements under the ambit of “work”, that is, as contractor payments, and provide for TDS at 1% if the contractor is an individual or HUF and 2% in other cases.

Rationalizing due dates for filing of return of Income

- The due dates for filing income-tax returns for various categories of persons is proposed to be rationalized as below:

Person	Conditions	Due Date
Assessee, including the partners of the firm	Transfer Pricing (‘TP’) audit is applicable	30 th November

(i) Company.	TP audit is not applicable	31 st October
(ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force.		
(iii) Partner of a firm whose accounts are required to be audited under this Act or under any other law in force.	TP audit is not applicable	31 st August
(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force.		
(ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force.	--	31 st July
Any other assessee		

- Similar amendments are proposed to the ITA 1961 w.e.f. 1st March 2026.

Extending the period of filing revised return

- The FB proposes to amend to increase the time limit for filing the revised return from its existing time limit of 9 months to 12 months from the end of the relevant tax year.
- Further, a fee is also proposed for revised returns which are filed beyond 9 months from the end of relevant tax year (the fee would be INR 1,000, if the total income of such person does not exceed INR 5,00,000 and INR 5,000 in other cases).
- Similar amendments are proposed to the ITA 1961 w.e.f. 1st March 2026.

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

- Presently, the ITA 2025 permits a person who has furnished a return of loss within the prescribed due date for the tax year to file an updated return. However, the updated return cannot be a return of loss. Hence, taxpayers are unable to file an updated return even if they intend to reduce the amount of loss in comparison to the amount of loss claimed in the earlier return of loss.
- The FB seeks to permit filing of updated return where a taxpayer reduces the amount of loss in comparison to the amount of loss claimed in the return of loss.

- Similar amendments are proposed to the ITA 1961 w.e.f. 1st March 2026.

Allowing the filing of updated return after issuance of notice of reassessment

- Presently, the ITA 2025 does not permit filing of updated return where reassessment proceedings have been initiated.
- It is now proposed by the FB that an updated return may be furnished by a person for the relevant tax year in pursuance of a reassessment notice within such period as specified in the said notice. In such a case, the taxpayer is precluded from filing updated return of income in pursuance of the reassessment notice.
- Further, in this case, additional income-tax is payable at 10% of the aggregate of tax and interest payable on the updated return. Also, such income on which the additional income-tax has been paid will not be subject to penalty for under-reporting and misreporting of income.
- Similar amendments are proposed to the ITA 1961 w.e.f. 1st March 2026.

Rationalization of Minimum Alternate Tax provisions

- The FB proposes that the tax paid under provisions of MAT be made as final tax in the old regime and no new MAT credit may be allowed.

- Further, the tax rate of MAT has been proposed to be reduced to 14% of book profit from the existing 15%.
- Also, set-off of MAT credit may be allowed only in the new tax regime for domestic companies (i.e. Sections 200 and 201) to the extent of 25% of the tax liability. The remaining credit shall be carried forward to the subsequent tax year and such carry forward or set off of tax credit shall not be allowed beyond the fifteenth tax year immediately succeeding the tax year in which the tax credit first became allowable the ITA 1961.
- In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT. Even here, carry forward up to 15 years (as explained above) is allowed.
- Corresponding amendments are made for computing self-assessment tax and tax on updated return.

Rationalizing the period of block in case of 'other persons'

- The ITA 1961 and ITA 2025 presently contemplate that where AO is satisfied that any undisclosed income belongs to or pertains to or relates to any person (herein after referred to as the 'other person'), other than the person (herein after referred to as the 'specified person') with respect to whom search was initiated or requisition was made, then the AO can take certain steps / action in respect of such other person.
- In such a scenario, the block period is the same for the specified person and the other person. Hence, even if such other person has undisclosed income relating only to a single

tax year, he is still required to undergo the full block assessment procedure.

- To ease this compliance burden, it is proposed to amend Section 295 so as to limit the period of block in case of 'other person'.

Rationalizing the time limit to complete block assessment

- Presently, the ITA 2025 requires that a block assessment should be completed within **12 months** from the end of the quarter in which the **last of the authorizations for search was executed** or requisition was made.
- The FB proposes to revise this time limit to provide that the order for block assessment be passed within 18 months from the end of the quarter in which the search was initiated or requisition was made.

D. EASE OF LIVING (EFFECTIVE 1ST APRIL 2026)

Payment of employees' contribution towards various funds deductible if paid by due date of filing return

- Presently, ITA 2025, in line with ITA 1961, provides for deduction of employee's contribution to, inter alia, provident fund, superannuation fund, ESI, any other fund for the welfare of employees, if such amount is paid by the employer to the account of the employee in the relevant fund by the due date as per the provisions applicable to the said Fund. Any default of even a day will irrevocably disallow the entire amount.

- FB proposes to provide that so long as this contribution is paid with the due date of filing of return of income under ITA 2025, the said amount will be allowed as a deduction.

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

- Presently, if a resident person purchases an immovable property from a resident seller, the person is not required to obtain TAN to deduct TDS. However, where seller of the immovable property is a non-resident, the buyer is required to obtain TAN to deduct TDS.
- The FB proposes to provide that the resident individual or Hindu undivided family, is not required to obtain TAN to deduct tax at source in respect of any consideration payable to a non-resident seller on transfer of any immovable property. The Memorandum notes that this proposal seeks to reduce compliance burden of applying for a TAN by the resident buyer (individual and Hindu Undivided Family) solely for purchase of immovable property from a non-resident,
- The amendment will take effect from 1st October 2026.

Relaxation from requirement to obtain TAN in case of payment made for acquisition of Virtual Digital Asset ('VDA')

- It is proposed that a person who is required to deduct tax at source on acquisition of VDA would not be required to obtain TAN.

- The amendment will take effect from 1st October 2026.

Enabling filing of declaration for no deduction to a depository

- Presently, per the ITA 2025, TDS shall not be deducted if the payee furnishes to the payer, a written declaration that his estimated total income for the tax year shall be nil. The said facility is available for various incomes including income from units of mutual fund, interest on securities or dividend, which could require investors to submit separate forms to all entities / companies where they hold such units or securities, thus leading to enhanced compliance.
- It is proposed to ease the compliance burden of investors by allowing them an option to furnish the declaration electronically to the depository (instead of filing it with multiple entities), which in turn shall provide such declaration to the person responsible for paying such income (being income from units of mutual fund, interest on securities or dividend). This proposed mechanism is available only in case the units or securities are held with the depository and such securities are listed on a recognised stock exchange.
- Further, presently, ITA 2025 requires the person responsible for making the payment to deliver the declarations referred to above to the prescribed income-tax authority within the 7th of the month following the month in which the declaration is received.
- In order to ease the compliance for the person responsible for paying income, the time limit for furnishing the declaration is

proposed to be **the 7th of the month following the end of the quarter in which the declaration is received.**

- The above amendments will take effect from 1st April 2027.

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

- CBDT vide Circular No.36/2016 had clarified under the ITA 1961 that compensation received in respect of award or agreement which has been exempted from levy of income-tax vide section 96 of the RFCTLARR Act would not be taxable under the ITA 1961 as well, even if there are no specific provisions of exemption for such compensation in ITA 1961. As a result, capital gains in respect of non-agricultural land under the aforementioned situation also became exempt.
- To align the provisions of the ITA 2025 with the RFCTLARR Act (thereby avoiding the need to issue a separate notification under ITA 2025), it is proposed to amend Schedule III (pertaining to Section 11 of ITA 2025, which provides various exemptions) to provide exemption to an individual and HUF on any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after the 1st April, 2026, under the RFCTLARR Act (other than the award or agreement made under section 46 of said Act).

Exemption for Disability Pension to armed force and paramilitary personnel only when personnel is invalidated on account of a bodily disability attributable to / aggravated by such service and not on superannuation retirement

- ITA 1961 provided for exemption in respect of disability pension paid to members of the Armed Forces who are invalidated out of service on account of a bodily disability that is attributable to, or aggravated by, military, naval or air force service, and comprises a service element and a disability element.
- The same exemption is proposed to be provided by the FB under the ITA 2025. However, here, the exemption would be available only in cases where the individual has been invalidated out of Armed Forces service on account of a bodily disability attributable to, or aggravated by, such service, and not where the individual has retired on superannuation or otherwise. It is also proposed that this exemption will also be available to paramilitary personnel.

E. MEASURES TO PROMOTE INVESTMENT (EFFECTIVE 1ST APRIL 2026)

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

The FB seeks to exempt a foreign company, on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre, for a period upto tax year ending on 31st March, 2047, subject to

satisfaction of certain conditions. The Memorandum notes that this is to attract investment in data centre and promote artificial intelligence data centre framework in India,

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

The FB seeks to exempt a foreign company for a period upto the tax year 2030-31, on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India, who is located in a custom bonded area (warehouse referred to in section 65 of the Customs Act, 1962) and produces electronic goods on behalf of such foreign company for a consideration. The Memorandum notes that this is to promote manufacturing of electronic goods by a contract manufacturer and provide certainty on taxation of supply of capital equipment by a foreign company to such manufacturer.

Exclusion of specified business of non-residents which are under presumptive taxation from the applicability of MAT

- Presently, MAT does not apply to certain foreign companies if they offer income on presumptive basis. However, two specified businesses i.e., business of operation of cruise ships and the business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company are not excluded from MAT even if they have opted for presumptive taxation.

- The FB proposes to exclude the above specified businesses from the provisions of MAT if they opt for the presumptive scheme.

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

- The FB proposes to provide an income-tax exemption for non-resident individuals visiting India for rendering certain services in connection with any notified Scheme of the Central Government.
- The exemption would apply where the individual is a non-resident for a period of 5 consecutive tax years immediately preceding the tax year during which he visits India for the first time for rendering services.
- Where this condition is satisfied, income that accrues or arises outside India, and is not deemed to accrue or arise in India, is exempt for 5 consecutive tax years commencing from the first tax year during which he visits India. Of course, the person should render service in India in connection with any Scheme as may be notified by the Central Government and fulfils such other conditions as may be prescribed.

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

- To increase the competitiveness of IFSC, the FB proposes to increase the period of tax relief to units therein to 20

consecutive years out of 25 years for units in IFSC and 20 consecutive years for Offshore banking Units.

- It is also proposed that the business income of these units from IFSC after the expiry period of deduction will be taxed at rate of 15%.

Exemption on interest income under the Motor Vehicles Act, 1988 awarded by Motor Accidents Claims Tribunal to an individual

- To alleviate sufferings of victims of accident and their family which may cause extreme hardship to the aggrieved person and family, the FB proposed to exempt from tax any income received by an individual or his legal heir, in the nature of interest under the Motor Vehicles Act, 1988 on account of death or on account of permanent disability or any bodily injury under the said Act.
- Similarly, FB proposes that no tax shall be deducted at source in respect of interest on the compensation amount awarded to an individual.
- However, in case of interest on such compensation awarded to a person other than an individual, TDS will continue to apply where the aggregate interest on such compensation exceeds INR 50,000 during the tax year.

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

- Presently, taxpayers are permitted to apply for certificates for deduction of TDS and TCS at nil or lower rate. It is proposed to

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

- The conditions in this regard would be notified. Further, it is to be noted that the above proposed relaxation would not be available in case of TCS.

F. RATIONALISATION OF PENALTY PROVISIONS (EFFECTIVE FROM 1ST APRIL 2026)

Imposition of penalty for under-reporting or misreporting of income within assessment order

- In an amendment with far-reaching implications for both tax payers and tax officials, the FB proposes to provide in ITA 2025 that, penalty for under-reporting and misreporting of income has to be imposed within the draft assessment or assessment or reassessment order.
- Hitherto, the law did not contemplate such consolidation of assessment and penalty orders. Further, the practice was that penalty proceedings would be undertaken separately with, typically, the penalty proceedings being deferred to the conclusion of the appeal proceedings where the quantum issues (that is the additions challenged in appeal) have attained fair degree of finality (either for or against the

taxpayer). These proceedings would also be kept in abeyance by the tax authorities where a prayer was made to them in this regard and they were duly intimated on the fact of filing of the appeal.

- The FB also proposes that interest on any demand raised on account of penalty levied would apply only after passing of the order by the Commissioner of Income tax (Appeals) or the Income-tax Appellate Tribunal (for appeal against order passed in pursuance of directions issued by the Dispute Resolution Panel), as the case may be.
- Similar amendments are proposed to be made to the ITA 1961.

Rationalization of penalties into fee

Offence or failure	Existing	Proposed
Failure to get accounts audited	Penalty, which could be lesser of: i. 0.5% of the total sales, turnover or gross receipts, in the business, or the gross receipts in the profession, for such tax year or years, or ii. INR 1,50,000.	Fee of: (i) a sum of INR 75,000 for a delay up to one month for which such failure continues; and (ii) a sum of INR 1,50,000 thereafter

Failure to furnish Transfer Pricing Report in Form 3CEB	Penalty of INR 1,00,000	Fee of: (i) a sum of INR 50,000 for a delay up to one month for which such failure continues; and (ii) a sum of INR 1,00,000 thereafter.
Failure to furnish statement of financial transactions or reportable account	Penalty of: INR 500 per day for every day for which such failure continues	Fee of: a sum of INR 200 for every day for which such failure continues and such fee shall not exceed a sum of INR 1,00,000.
Failure to furnish the above statement within the time specified in the notice issued	Penalty of: INR 1,000 per day for every day for which such failure continues	Penalty of: a sum of INR 1,000 for every day for which such failure continues and such fee shall not

		exceed a sum of INR 1,00,000.
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Expanding the scope of immunity from penalty or prosecution to cases involving misreporting of income

- Presently, the ITA 2025 (along the lines of the ITA 1961) provides immunity to a taxpayer from penalty and prosecution in case of under-reporting of income subject to conditions. No such immunity is available in case the under-reporting is in consequence of misreporting.
- The FB proposes that immunity should also be extended to such cases where under-reporting of income is in consequence of misreporting. The FB proposes that to apply for immunity, the taxpayer would be required to pay an additional income-tax to the extent of 100% of the tax payable on such income in lieu of the penalty.
- The FB also proposes that this rate of additional income tax be enhanced to 120% in cases relating to unexplained credits, unexplained investments, unexplained assets etc.
- Similar amendments are proposed to be made to the ITA 1961 w.e.f. 1st March 2026.

Rationalization of prosecution proceedings

- ITA 2025 aligned to ITA 1961 has various provisions which impose criminal liability including rigorous imprisonment which span from 3 months to 7 years for various offences

including falsification of books of accounts, failure to credit TDS/TCS deducted, tendering false statement, wilful attempt to evade tax, failure to furnish return within due time, abatement of false return, removal/concealment/transfer of property to evade recovery of tax, failure to follow certain directions of AO, etc.

- The FB in continuation of the decriminalisation measures since 2024 proposes to amend numerous prosecution provisions to make the punishment for the concerned offences proportionate to the crimes.
- Similar amendments are proposed to be made to the ITA 1961 w.e.f. 1st March 2026.

G. OTHER AMENDMENTS (EFFECTIVE FROM 1ST APRIL 2026)

Amendments to extend tonnage tax scheme to inland vessels

- ITA 1961 and ITA 2025 contain special provisions for taxation of shipping companies under the 'tonnage tax scheme'. In 2025, this scheme was extended to inland vessels registered under the Inland Vessels Act, 2021 to promote inland water transport.
- Considering representations on alignment and rationalising this scheme with the Inland Vessels Act, 2021 ('IVA 2021'), the FB proposes, inter alia, the following amendments:
 - i. Recognise the certificate of registration issued under the IVA 2021 for determining net tonnage of inland vessels.

- ii. To include on-board and on-shore activities of inland vessels within the scope of core activities eligible for the tonnage tax scheme.
- iii. To provide that to claim this scheme, inland vessels would be required to comply with the minimum training requirements per the guidelines issued by the Inland Waterways Authority of India and notified by the Central Government.
- iv. To require furnishing of certification regarding compliance with minimum training requirements from the designated authority under the IVA 2021 for inland vessels.
- v. To provide that the manner of computing the average net tonnage for inland vessels shall be prescribed in consultation with the Inland Waterways Authority of India.

Alignment in provisions relating to Income from House Property vis-à-vis ITA 2025 and ITA 1961

ITA 2025 is proposed to be aligned with the corresponding provisions in ITA 1961 to provide, inter alia, that:

- The annual value of property held as stock-in-trade shall be taken as nil for *up to* 2 years from the end of the FY in which the completion certificate is obtained from the competent authority.
- Deduction of interest on borrowed capital for self-occupied property would within the overall ceiling of INR 2 lakhs include prior-period interest payable.

Alignment of ITA 2025 to provide for binding nature of CBDT guidelines under TDS / TCS provisions

ITA 2025, akin to ITA 1961, empowers the CBDT to issue guidelines to remove difficulties in implementing the TDS / TCS provisions. To ensure that these guidelines are binding on income-tax authorities as well as on persons liable to deduct or collect income-tax, amendment is proposed to the concerned provisions. This amendment aligns the ITA 2025 to the corresponding provisions of the ITA 1961.

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

- Under ITA 1961, where a deduction or exemption is allowed subject to the fulfilment of certain conditions, any violation of such conditions results in the amount being deemed as income in the financial year in which the violation occurs.
- Certain provisions of ITA 1961 require the inclusion of income or reversal of deductions under the ITA 2025 even without any violation of conditions. However, the repeal and savings clause in the ITA 2025 does not presently cover such situations.
- Hence, FB proposes to provide that where any sum was allowed as a deduction or not included in total income under the repealed ITA 1961, such sum shall be deemed to be income under the ITA 2025, even in the absence of any violation of conditions, if it would have been included in total income under the ITA 1961 had it been subsisting.

Amendment to the definition of the specified fund in the International Financial Services Centre ('IFSC')

The FB proposes to align the definition of 'specified fund' with the definition provided under section 10(4D) of the ITA 1961, to provide clarity in the application of the existing provisions relating to specified funds in an IFSC.

Interest not allowable as a deduction against dividend income

- Presently, ITA 2025, aligned to ITA 1961, allows deduction of interest expenditure incurred for earning such income, subject to a ceiling of 20% of the gross dividend income or income from units of mutual funds.
- FB proposes to disallow deduction in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds.

Rationalisation of Schedule XI relating to Employee Provident Funds ('EPFs')

The Memorandum notes that the present provisions on recognised provident funds are fragmented and outdated and this requires to be streamlined and aligned with the prevailing EPF regime. In this regard, the following amendments are proposed:

- Removing the cap on employer contributions at 12% of salary, given the existing unified ceiling of INR 7.5 lakh on aggregate employer contributions.

- Removing the different contribution limits for employees who are also shareholders of the company. With this, the rules are simplified to make them uniform for all employees.
- Providing that only provident funds exempted under the EPF Act are eligible to seek recognition under the ITA 2025.
- Removing the present restriction on investment of provident fund monies in Government securities since this ceiling is inconsistent with the current investment norms prescribed by the Ministry of Labour and the EPF Organisation.

Exemption for Sovereign Gold Bonds issued by the Reserve Bank of India ('RBI')

ITA 2025 provides exemption from capital gains tax on redemption of Sovereign Gold Bonds issued by the RBI. The FB proposes to clarify that such exemption shall be available only where the bond is subscribed to at the time of original issue and is held continuously by the subscriber until redemption on maturity.

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

- Presently, ITA 2025 requires prescribed entities to furnish statements containing information on crypto-asset transactions of their users.
- To ensure compliance and create deterrence for non-furnishing or inaccurate reporting, it is proposed to introduce a penalty as follows:
 - i. INR 200 per day for non-furnishing of the statement,

- ii. INR 50,000 for furnishing inaccurate information and failure to correct such inaccuracies.

Amendment in select provisions relating to non-profit organisations ('NPOs')

The FB proposes the following amendments relating to taxation of NPOs:

- Presently, ITA 2025 proposes that registration would not be granted for an NPO carrying out advancement of any other object of general public utility ('GPU') which undertakes commercial activities (this would be regarded as a 'specified violation'). Since this was not the intent under the ITA 2025, it is proposed to remove this condition while approving registration of an NPO carrying out advancement of GPU object.
- To align the concerned provisions of the ITA 2025 with that of ITA 1961, a registered NPO merging with another registered NPO having the same or similar objects would not be subject to provisions of 'tax on accreted income' provided that the merger fulfils the prescribed conditions.
- Along the same lines, amendments are proposed to clarify that tax on accreted income shall apply where a registered non-profit organisation merges with:
 - i. An entity other than a registered NPO;
 - ii. A registered NPO having the same or similar objects but not fulfilling the prescribed conditions, or
 - iii. A registered NPO having dissimilar objects.

- An NPO would now be permitted to file a belated return of income, in accordance with the concerned provisions of the ITA 2025.

Amendments to rationalise provisions relating to taxation of co-operative societies under ITA 2025

FB proposes, with effect from the FY 2026-27, as follows in respect of taxation of co-operative societies:

- Include co-operative societies which are registered under the Multi-State Cooperative Societies Act, 2002, within the definition of co-operative society under ITA 2025.
- Presently, a cooperative society is allowed deduction on interest or dividend received from other cooperative societies as per the old regime under the ITA 2025. However, dividend received from companies is taxable. With effect from the 1st April 2026, it is proposed to allow deduction on dividends from other cooperative societies to the extent such dividends are distributed to its members as per the new regime under the ITA 2025.
- It is also proposed that notified federal co-operative societies can claim a deduction for dividends from companies for 3 years up to FY 2027-28 under both old and new tax regimes, limited to dividends from investments made till 31.01.2026 and which are further distributed to members.
- Presently, a primary co-operative society engaged in supplying milk, oilseeds, fruits, or vegetables raised or grown by its members to specified persons is eligible for tax relief on its profits and gains. Similar activities such as supplying of cattle

feed and cotton seeds which are also undertaken by the members of the primary co-operative society is also proposed to be granted similar relief effective 1st April 2026.

Amnesty scheme for non-disclosure of foreign assets under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act)

- The Memorandum to the FB notes that non-compliance with the Black Money Act is particularly prevalent in cases involving legacy or inadvertent non-disclosures for small taxpayers, including holdings arising from foreign employment benefits such as ESOPs or RSUs, dormant or low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, and assets held by individuals on overseas deputation.
- Therefore, to facilitate voluntary compliance and enable resolution of such legacy cases of small taxpayers, the FB proposes a time-bound scheme for declaration of foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition and grant of limited immunity from penalty and prosecution under the Black Money Act.
- The following persons are eligible to opt for this Scheme:
 - a. Person resident in India; and
 - b. Non-resident or not ordinarily resident in India, who was a resident in India either in the year to which the undisclosed income relates or year in which the undisclosed asset located outside India was acquired.

- The declaration can be made by a person in the following cases:
 - a. He has failed to furnish a return under the ITA 1961; or
 - b. He has failed to disclose the assets or income concerned in the return of income filed under the ITA 1961 before the date of commencement of this Scheme; or
 - c. Such asset or income has escaped assessment under the ITA 1961.
- The amount payable and threshold for eligibility in various cases is as follows:

Type of assets or income	Amount payable	Conditions
(a) Undisclosed asset located outside India; or (b) undisclosed foreign income.	Aggregate of: (i) tax @ 30% of the value of the undisclosed asset located outside India as on the 31 st March, 2026; (ii) tax @ 30% of the undisclosed foreign income; and (iii) an amount equal to 100% of tax determined (i) and (ii) above.	The aggregate value of the undisclosed asset located outside India and the undisclosed foreign income does not exceed INR 1 crore.

<p>(a) Asset located outside India acquired from income accruing or arising outside India, during the period in which such taxpayer was a non-resident, but such assets were not declared by him in the return of income on becoming a resident; or</p> <p>(b) asset located outside India acquired from income which has been offered to tax under the ITA 1961, but such assets were not declared by him in the return of income.</p>	<p>A fee of INR 1 lakh</p>	<p>The value of the asset located outside India does not exceed INR 5 crore.</p>
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- A detailed procedure for implementing this scheme is proposed in the FB.

Relaxation of conditions for prosecution under the Black Money Act

- The Black Money Act provides for penal and prosecution measures in cases of willful non-disclosure of foreign income and assets by residents. The said law prescribes prosecution, including rigorous imprisonment and fine, where a resident willfully fails to furnish a return of income or willfully omits to disclose foreign assets or income in the return of income.
- In order to provide relief in cases of minor and inadvertent non-disclosures and to align the prosecution provisions with the penalty framework under the Black Money Act, the FB proposes to provide that these provisions shall not apply in respect of foreign assets, other than immovable property, where the aggregate value does not exceed INR 20 lakhs.
- These amendments shall take effect retrospectively from the 1st October, 2024.

INDIRECT Tax Proposals²

- A. [GST](#)
- B. [CUSTOMS](#)

² All provisions would be effective from the date of Presidential assent of Finance Bill, 2026, unless specifically stated otherwise.

A. [GST](#)

Post-sale discounts and credit notes

- Pursuant to the recommendations of the 56th GST Council Meeting, it is proposed to delink post-sale discounts from the requirement of being pre-agreed under the contract and linked to specific invoices for the purpose of reduction from the value of supply.
- With effect from a date to be notified, post-sale discounts are permitted as a deduction from the value of supply, subject to the following conditions:
 - a. A credit note has been issued by the supplier in respect of such discount; and
 - b. The proportionate input tax credit attributable to the discount has been reversed by the recipient.
- Consequential amendment is proposed to be made to permit credit notes for post supply discount. The date is to be notified.

Refund

- *Provisional refund extended to inverted duty structure:* Following the recommendations of the 56th GST Council meeting, the provisions relating to sanction of 90% of the refund claimed on a provisional basis is proposed to be extended to refunds arising out of inverted duty structure.

Currently, provisional refund is allowed only for zero-rated supplies. The effective date is to be notified.

- *Removal of minimum threshold for export refunds:* The minimum threshold limit of INR 1,000/- prescribed for sanction of refund claims in respect of goods exported out of India on payment of tax is proposed to be removed. Consequently, refund claims shall be admissible even where the refundable amount relates to export of goods is less than INR 1,000/-, whereas hitherto such refund claims were ineligible for sanction below the said threshold. Effective date to be notified.

National Appellate Authority for Advance Ruling (NAAAR)

- With effect from 1st April 2026, the Central Government is empowered to authorise, by notification, an existing authority (which shall include Principal Bench of GSTAT) to hear appeals against conflicting Advance Rulings issued by Appellate Authorities of two or more States or Union Territories or both, pending the constitution of the NAAAR.
- GST Council, in its 56th Council Meeting, recommended that the Principal Bench of GSTAT will serve as the NAAAR. This amendment seems to provide legal basis for the same.

Place of supply for 'intermediary services'

- It is proposed that the place of supply of intermediary services shall be determined in accordance with the default place of supply provision, i.e., the location of the recipient of services. Hitherto, the place of supply in respect of intermediary services

was determined based on the location of the supplier of services. Consequently, import of intermediary services will, going forward, be liable to GST under the Reverse Charge Mechanism ('RCM'). The effective date is to be notified.

B. CUSTOMS

Jurisdiction for fishing and related activities extended

The FB proposes amendments to the Customs Act, 1962 ('CA 1962') to extend the jurisdiction of fishing and related activities beyond the territorial waters of India. Primarily, the proposed amendment provides for the following:

- This amendment proposes to expand the territorial scope of the CA 1962 such that it applies to Indian-flagged fishing vessels carrying out fishing and its related activities beyond its territorial waters (i.e., beyond 12 nautical miles), which however should be undertaken within the Exclusive Economic Zone (i.e., 200 nautical miles).
- The proposed amendment enables the Customs administration to regulate, monitor and legally recognise fish harvested by Indian-flagged vessels beyond territorial waters. The measure ensures better governance and compliances in offshore fishing operations.
- Further, amendments proposed provide that:
 - a. Harvested fish that is bought into India will be allowed to be brought into India without payment of any duty;
 - b. Harvested fish that lands at foreign land, will be considered as export of goods.

- For this purpose, the term, 'Indian-flagged fishing vessel' has been defined to mean a vessel which is used or intended to be used for the purposes of fishing in the seas and entitled to fly the flag of India.
- The rules and regulations governing the form, manner, declaration, custody, examination, assessment of duty, clearance, transit and transshipment are to be issued.

Amendment to provision prescribed for recovery of duties for non-payment / short payment

The FB proposes that penalty paid voluntarily under section 28(5) of CA 1962 constitutes payment of penalty towards non-payment of duty. Hitherto, no specific reference was made in the provisions regarding the treatment of penalty paid at 15% in terms of section 28(6)(i) of CA 1962.

FB 2026 proposes to increase the validity of advance ruling pronounced under CA 1962

- The FB proposes to increase the validity of advance rulings, from existing period of 3 years to 5 years. However, all other provisions regarding the issuance of advance ruling will remain unmodified.
- The validity of the advance ruling, which is in force as on date of presidential assent of the FB, will also be valid for a period of 5 years from date of pronouncement of ruling. The validity for such rulings would change, only if requested by the importers and not automatic.

Movement of warehoused goods made more simpler

The FB proposes an amendment to the CA 1962 which provides for removal of warehoused goods from one warehouse to another without having to obtain any prior permission from the Proper Officer ('PO'). Hitherto, such removal could be completed only upon obtaining prior permission from PO.

Amendment to provisions regarding import or export of goods through post or courier:

The FB has proposed to empower the Central Board of Indirect Tax and Customs ('CBIC') to make regulations regarding custody of goods imported into or exported outside India by post or courier. Hitherto, the CBIC was permitted to make regulations only regarding examination, assessment of duty and clearance of such goods.

Amendment to Customs rules / regulations

- The FB proposes to permit eligible importers effective 1st February 2026 to permit to make deferred duty payment, once in 30 days as against existing 15 days, except for the imports made during March for which timelines for payment of duty continues to be 31st March.
- FB also proposes to introduce Baggage Rules, 2026 by superseding the earlier Baggage Rules, 2016, to rationalise baggage provisions. Further, the value of accompanied baggage of INR 75,000 is now permitted as against the value

of INR 50,000 which was permitted under the erstwhile Baggage Rules, 2016.

- Cap on consignment value of goods, which can be exported through courier is now proposed to be removed by the FB. Hitherto, the consignment value permitted against such exports was INR 10 lakhs.

Easing provisions in relation to clearances

- The FB proposes that imports not having any specific compliance requirement will be cleared by customs authorities immediately after completion of online registration by importer, subject to duty payments.
- It also proposes that filing of bill of entry by a trusted importer, and arrival of goods will be notified automatically by the customs for completion of clearance formalities, to ensure release of goods immediately on arrival.
- The rules / regulations in this regard are awaited.

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