





IT'S TIME FOR INDIA!

India's moment has arrived.
Demography meets democracy.

Technology meets aspiration.

Scale meets intent.

A confident India now converts
resilience into relevance, reform into
momentum, and diversity into strength.

This is shaping the global growth,
solutions and sensibilities with quiet
conviction and historical depth.

Transforming the destiny of the most
populous civilization on earth.



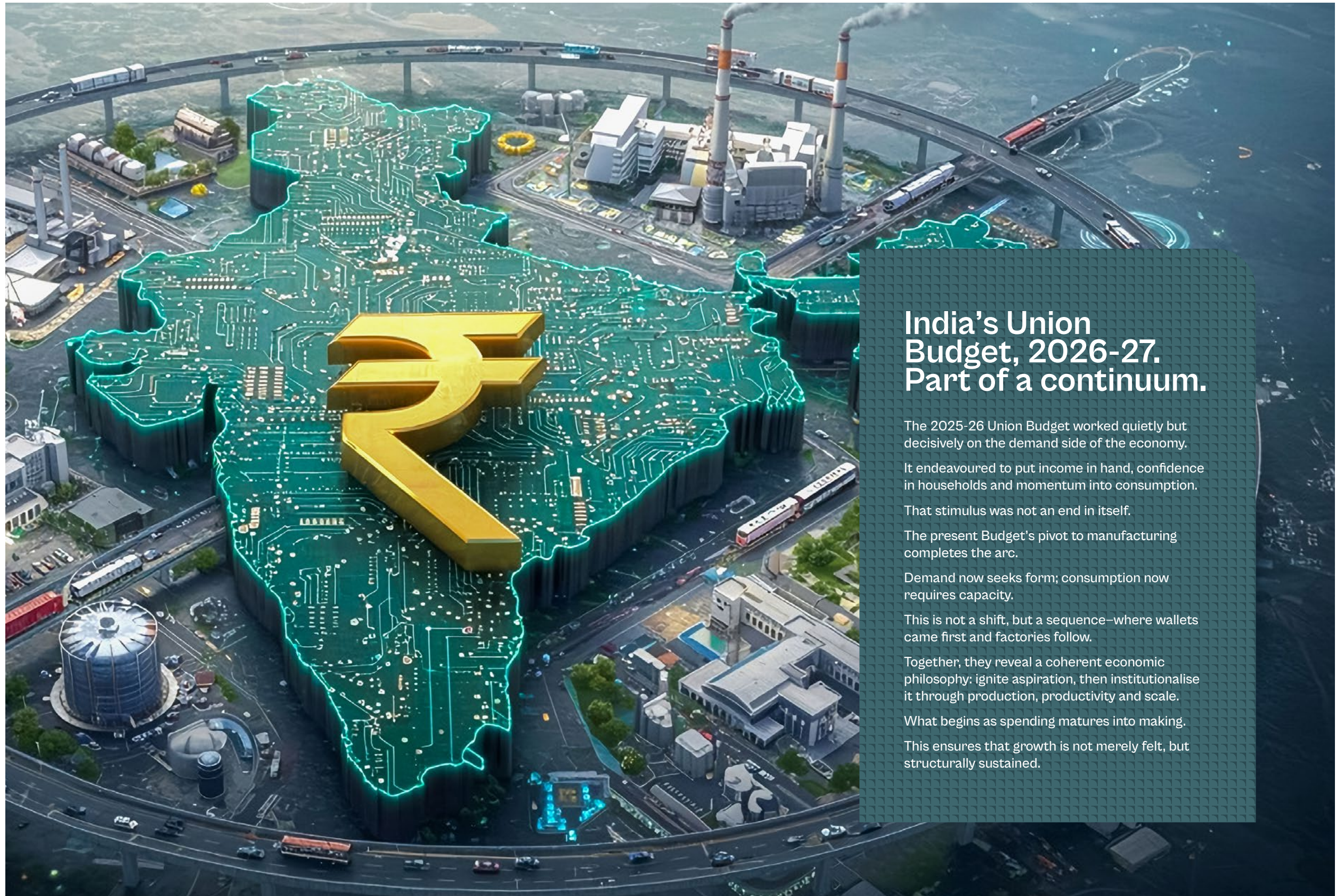
India stands at an inflection point.

Confident, aspirational and structurally transforming.

The recent Union Budget reflects this moment.

Pragmatic yet ambitious.

Balancing fiscal discipline with growth, investing in infrastructure, manufacturing and human capital to convert demographic scale into enduring national competitiveness.



India's Union Budget, 2026-27. Part of a continuum.

The 2025-26 Union Budget worked quietly but decisively on the demand side of the economy.

It endeavoured to put income in hand, confidence in households and momentum into consumption.

That stimulus was not an end in itself.

The present Budget's pivot to manufacturing completes the arc.

Demand now seeks form; consumption now requires capacity.

This is not a shift, but a sequence—where wallets came first and factories follow.

Together, they reveal a coherent economic philosophy: ignite aspiration, then institutionalise it through production, productivity and scale.

What begins as spending matures into making.

This ensures that growth is not merely felt, but structurally sustained.

The recent Indian Union Budget rests on three principal pillars

1

Growth through investment

A strong push on capital expenditure—especially infrastructure, manufacturing, energy transition and logistics—to crowd in private investment and sustain long-term growth.

2

Inclusive development and employment

Focused support for jobs, skilling, MSMEs, agriculture, housing and the aspirational middle class, ensuring that growth translates into broad-based economic participation.

3

Fiscal discipline with reform momentum

Commitment to deficit reduction, quality spending, tax stability and structural reforms—strengthening macroeconomic credibility while funding India's future responsibly.



1.

The first pillar: Growth through investment

Growth through investment sits at the heart of the recent Union Budget.

It reflects a clear belief that sustained economic expansion is built not on consumption alone, but on steady productive capacity.

At a time when global growth remains uneven and capital is cautious, the Budget positions the Indian state as a catalytic investor.

One that builds the foundation upon which private enterprise can confidently expand.

The emphasis on capital expenditure signals intent as much as arithmetic.

Investments in transport corridors, logistics, energy infrastructure, urban development and digital public systems are designed to reduce friction across the economy—lowering costs, improving reliability and enhancing competitiveness.

Such spending does not merely create assets; it reshapes incentives,

encouraging businesses to invest, innovate and scale.

Equally important is the quality of this investment. The Budget prioritises sectors with strong multiplier effects—manufacturing, renewable energy, housing and strategic industries—where each rupee spent can unlock multiple rupees of downstream activity.

This approach recognises that growth today must be future-facing: aligned with energy transition, supply-chain resilience and technological modernisation.

By anchoring growth in investment - rather than a short-term stimulus - the Budget reinforces macroeconomic credibility while laying the groundwork for durable expansion.

This reflects a conviction that nations rise not by spending more, but by building better—and by doing so consistently, year after year.



2.

The second pillar: Inclusive development and employment

The Budget recognises that India's demographic strength can become a lasting advantage only if opportunity keeps pace with aspiration.

A central emphasis is job creation—both direct and indirect—through targeted support to labour-intensive sectors, MSMEs, housing, infrastructure and services.

By strengthening these engines of employment, the Budget seeks to translate macroeconomic momentum into household stability and rising incomes.

Parallel investments in skilling, apprenticeships and education signal a shift from welfare to capability-building, preparing India's workforce for a more technology-intensive and globally competitive economy.

Agriculture and rural livelihoods continue to receive focused attention, not as legacy sectors but as foundations of social resilience.

Support for productivity, credit access and value-chain integration aim to stabilise incomes while creating pathways beyond subsistence.

For the expanding middle class, measures related to housing, urban services and financial inclusion reinforce consumption confidence and social mobility.

Importantly, inclusion is framed not as redistribution alone, but as participation.

The Budget's approach seeks to ensure that growth creates stakeholders rather than spectators – embedding equity into the growth process and strengthening the social contract that underpins long-term economic progress.

By prioritising quality of expenditure over indiscriminate spending, the Budget strengthens the state's Balance Sheet while preserving room for future action. Fiscal discipline here is not austerity; it is intentionality – spending where it multiplies growth, restraining where it merely inflates numbers.

Tax stability, simplified compliance and predictable policy frameworks reinforce India's attractiveness as an investment destination.

As more economic activity moves into the formal net, revenues become more stable and less distortionary, enabling the government to fund development without excessive borrowing. Structural reforms in public finance management, asset monetisation and cooperative federalism deepen this foundation.

Crucially, fiscal discipline is positioned as an enabler of sovereignty. A nation that controls its deficits, manages its debt prudently and maintains policy credibility, retains freedom of choice—over growth paths, social priorities and strategic decisions.



3.

The third pillar: Fiscal discipline with reform momentum

The Union Budget reads less like an annual accounting exercise and more like a waypoint on a longer national journey.

It reflects an India that is no longer debating whether it will grow, but how it will shape that growth—responsibly, competitively and inclusively.

At its core, the Budget recognises that India’s long-term progress will be determined by foundations laid today.

Sustained public investment in infrastructure, energy systems, logistics and digital public goods is designed to raise productivity across the economy, reduce structural inefficiencies and crowd in private enterprise. This is growth built on capacity, not impulse.

Equally, the Budget signals a conscious effort to align economic momentum with social breadth. Employment generation, skilling, MSME support and rural resilience are treated not as

welfare endpoints, but as enablers of participation.

The message: India’s demographic scale becomes an advantage only when aspiration is matched with opportunity and capability.

What lends the Budget credibility is its emphasis on fiscal discipline and policy continuity. By balancing ambition with restraint and reform with predictability, it reinforces macroeconomic stability—an essential condition for long-term investment, global confidence and national autonomy.

Taken together, the Budget reflects a maturing economic philosophy. It positions India as a country investing patiently in its future—building assets, skills, institutions and credibility—while remaining agile in a changing world.

This combination of progress and prudence, scale and sophistication, underpins the vision of a dynamic, resilient and forward-looking India.

The combination of progress and prudence, scale and sophistication, underpins the vision of a dynamic, resilient and forward-looking India.

In combining restraint with reform, the Budget articulates a mature economic philosophy: that long-term prosperity is built not on fiscal bravado, but on trust, consistency and the quiet compounding of credibility over time.



India generates growing confidence within the global community of nations.

It is no longer viewed merely as a large market or an emerging economy, but as a credible shaper of global outcomes—economic, technological and strategic.

Economically, India has established itself as one of the world's fastest-growing major economies, combining scale with resilience. It's expanding manufacturing base, digital public infrastructure and deepening capital markets, position it as a dependable growth engine at a time of global uncertainty. For investors and corporations seeking stability alongside opportunity, India increasingly represents both.

Strategically, India is valued as a balanced and independent voice. It engages across blocs without being confined by them, contributing to global stability through dialogue, diplomacy and cooperation. It's leadership in forums spanning the G20, climate action, development finance and the Global South reflects rising trust in its judgment and intent.

Technologically and socially, India is demonstrating how large democracies can innovate at scale. From digital identity and payments to space, renewable energy and pharmaceuticals, Indian solutions are influencing global thinking on affordability, inclusion and sustainability.



India projects optimism.

It approaches the future not as a problem to be managed, but as an opportunity to be shaped.

In a fragmented world, India stands as a nation combining ambition with responsibility—confident in its civilisational depth, pragmatic in its partnerships and increasingly central to the story of the twenty-first century.



Core Values

01



Dynamic & Innovative

We are constantly reinventing for the future—for our clients, employees and community. As industries evolve, so do the requirements of our clients. We curate solutions that go above and beyond your expectations to ensure sustainable, innovative growth for the future.

02



Ethical & Trusted

We have safeguarded the trust of our clients, regulators and the public with integrity for over 74 years and expect to do so across the foreseeable future.

03



Client-Centric & Value Focused

We position ourselves as your business partners to curate solutions that ensure your sustainable growth. Our business is more than a service - We approach our work with a collaborative mindset, teaming across businesses, geographies and skill sets to deliver tangible, measurable, attributable impact.



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SECTION 1

FOREWORD

If the Union Budget of 2026-27 were to be distilled into a single idea, it would be this: India is now budgeting from a position of structural confidence rather than cyclical urgency. In a global environment marked by fiscal stress, geopolitical uncertainty, and uneven recoveries, the Union Budget demonstrates that economic stimulation and fiscal discipline are no longer competing impulses—but complementary strategies.

What the Budget achieves is not a dramatic pivot, but something far more consequential: policy continuity with incremental boldness, signalling that India is no longer firefighting short-term challenges but deliberately shaping a medium-term economic architecture.

Income resilience and consumption momentum

Building on the reforms of previous years, the Budget continues to strengthen the hands of middle-income India. By preserving a benign direct tax regime and reinforcing disposable income growth, the government has sustained the conditions for broad-based consumption expansion.

This approach recognises a structural truth: that India's growth impulse now rests as much on domestic demand as on external competitiveness. Higher disposable incomes are expected to deepen consumption across goods and services, reinforcing manufacturing utilisation, services employment, and MSME vitality. Over time, this demand-led momentum has the potential to rebalance revenue streams, with indirect tax buoyancy partially offsetting moderation in direct tax collections.

Fiscal consolidation with credibility

A defining feature of the Budget is its continued commitment to fiscal consolidation. The steady glide path towards lower fiscal deficit reflects a government that is neither populist nor reactive, but institutionally assured.

Fiscal prudence at this stage of India's growth journey serves multiple purposes: it anchors inflation expectations, moderates sovereign borrowing requirements, and creates space for private capital formation. Lower systemic borrowing pressures help soften interest rates, reduce the economy's cost base, and strengthen India's attractiveness as a long-term investment destination.

Importantly, this restraint reinforces policy credibility at a time when many global economies are grappling with debt overhangs and fiscal fatigue.

Infrastructure as a long-cycle commitment

The Budget's infrastructure strategy underscores consistency over spectacle. Rather than sharp escalations, the government has chosen to sustain elevated capital expenditure, recognising that infrastructure returns accrue over decades, not quarters.

This sustained investment continues to expand India's physical, logistical, and digital backbone—crowding in private investment, improving productivity, and enhancing competitiveness across sectors. The emphasis is clear: infrastructure is no longer a stimulus lever, but a permanent pillar of national economic strategy.

Platform for stability and growth

Viewed holistically, the Budget reflects a careful calibration across priorities—growth, stability, inclusion, and credibility. It sends a clear signal to markets, citizens, and global investors alike: India will grow ambitiously, but not imprudently; decisively, but not disruptively.

In an increasingly fragmented global economy, this positioning strengthens India's role as a stable, predictable, and resilient economic haven.

Conclusion

If India were a market scrip—echoing last year's metaphor—the fundamentals have only strengthened. The balance sheet is healthier, the growth drivers more diversified, and the policy compass steadier.

Our view would therefore remain unchanged: Strong Buy.



SECTION 2

BUDGET SNAPSHOT
DIRECT TAX - AT A GLANCE

Non-Corporate Assesseees

- No changes have been proposed in basic exemption limit, slab rates and surcharge applicable to individual or HUF under the regular tax regime as well as under new tax regime (u/s 202 of ITA, 2025) for TY 2026-27.
- **Rebate:** Rebate of Income Tax allowed u/s 155 of ITA, 2025 (Sec. 87A of ITA, 1961) remains unchanged.
- **Co-operative Society:** Tax rates for co-operative society both under regular tax regime as well as under new tax regime u/s 203 & 204 of ITA, 2025 (Sec. 115BAD & 115BAE of ITA, 1961) remains unchanged.
- **Firms & Local Authorities:** Tax rates for firms & local authorities remains unchanged.

Corporate Assesseees

Corporate Tax Rates:

- Corporate Tax Rates for domestic companies both under old and new tax regime proposed to remain unchanged. Corporate Tax Rate for foreign companies also remain unchanged.

Rationalization of provisions of Minimum Alternate Tax [Sec. 206 of ITA, 2025]:

- Hitherto, an assessee being a company is allowed to carry forward and set off MAT Credit upto 15 Tax Years. However, if the assessee opts for New Tax Regime u/s 115BAA of the ITA, 1961 (Corresponding to Sec. 200 of the ITA, 2025), then the assessee is not entitled to set off MAT Credit.
- It is proposed to amend Sec. 206 of ITA, 2025 to provide:
 - Reduction in MAT rate from 15% to 14% on Book Profit (for both domestic & foreign company)
 - Any domestic company shall not be entitled to avail & set off accumulated MAT Credit, if return of income is filed under the Old Tax Regime from TY 2026-27 onwards;
 - If any domestic company presently under the old tax regime, opts for New Tax Regime in TY 2026-27 or subsequent years, it will be entitled to set off MAT Credit accumulated upto AY 2026-27.
 - Quantum of MAT credit eligible for set off will be restricted to 25% of the tax payable on Total Income under the New Tax Regime.

- Foreign company shall not be entitled to avail MAT Credit from TY 2026-27 onwards.
- Foreign company can set off MAT Credit accumulated upto AY 2026-27.

Other Relevant Proposals

Rationalization of Taxation of Buyback of Shares [Sec. 69 of ITA, 2025]:

- Presently, consideration received by a shareholder on buy-back of shares is treated as dividend income u/s 2(40)(f) and cost of acquisition of shares extinguished on buy-back is recognised separately as capital loss u/s 69. It is now proposed that such consideration will not be treated as dividend but be taxed under "Capital Gains". In case of promoters other than domestic companies, effective tax liability shall be 30% whereas for promoter domestic companies effective tax liability would be 22%.
- Further, it is proposed to define "promoter" as (a) for listed companies – meaning as assigned in regulation 2(k) of SEBI (Buy-Back of Securities) Regulations, 2018 and (b) in any other case – meaning as defined in Sec. 2(69) of the Companies Act, 2013 or persons holding directly or indirectly more than 10% of shareholding in the company.

Clarification regarding jurisdiction to issue notice w.r.t reassessment proceedings [Sec. 147 of ITA, 1961 & Sec. 279 of ITA, 2025]:

- To bring certainty to the ongoing litigation with respect to jurisdiction to issue notices for carrying out reassessment proceedings, it is proposed to insert new Sec. 147A of ITA, 1961 w.r.e.f 01-04-2021, to clarify that for the purposes of Sec. 148 & 148A, AO shall always mean to be an AO other than National Faceless Assessment Centre (NaFAC) or any of its assessment units.
- Similar amendment is proposed u/s 279 of ITA, 2025 by inserting new Sec. 279(3) w.e.f. 01-04-2026.

Rationalization of due date of deposit of Employee's contribution to PF, Superannuation Fund, etc. by the Employer [Sec. 29(1)(e) of ITA, 2025]:

- Hitherto Employee's contribution received by the Employer towards any welfare funds are allowed as deduction in the hands of the Employer if the same is deposited within the 'due date' of deposit as mentioned in the relevant Act.

- It is proposed to amend 'due date' of deposit of contribution received by the Employer upto the due date of filing the return of income.

Rationalisation of due date for filing return of income [Sec. 263(1) of ITA, 2025]:

- In order to provide sufficient time for preparation of books of accounts, it is proposed to extend the due date for furnishing return of income under ITA, 2025 for assessee having income from business or profession and partners of a firm, whose accounts are not required to be audited, from 31st July to 31st August of the financial year following the relevant tax year. Similar amendment also proposed in Explanation 2 to Sec. 139(1) of ITA, 1961 which would be applicable for AY 2026-27.

Rationalisation of provisions relating to filing of Updated Return [Sec. 263(6) & 267(5) of ITA, 2025]:

- Hitherto, filing of updated return was not permitted where such return was a return of loss for the said tax year. Further, it was also not permitted where reassessment proceedings had been initiated pursuant to issue of Notice u/s 280 of ITA, 2025.
- It is now proposed to allow filing of updated return where it has the effect of reducing of losses. Further, filing of updated return is also proposed to be allowed in cases where notice for reassessment u/s 280 has been issued. Such return to be filed within time allowed in the notice, subject to payment of an additional sum of 10% of the aggregate of tax and interest payable. Similar amendment also proposed in Sec. 139(8A) & 140B of the ITA, 1961 w.e.f. 01-03-2026.

Extension of time limit for filing revised return on payment of fee [Sec. 263(5) & Sec. 428 of ITA, 2025]:

- Time limit for filing revised return under ITA, 2025, which presently coincides with due date of belated return at 31st December is proposed to be extended to 31st March following the relevant tax year. This extension can be availed subject to payment of fee of ₹1,000/- where total income is upto ₹5 lacs and ₹5,000/- in any other cases. Similar amendment also proposed in Sec. 139(5) of ITA, 1961 which would be applicable for AY 2026-27.

No deduction of interest expenditure for earning dividend income [Sec. 93(2) of ITA, 2025]:

- Hitherto, interest expenditure subject to cap of 20% of dividend income and income from units of

mutual funds is allowed as deduction against such income [Sec. 93(2)(b)]. The said deduction has been proposed to be done away w.e.f. 01-04-2026.

Conditions for Exemption on Sovereign Gold Bonds [Sec. 70(1)(x) of ITA, 2025]:

- The provisions of Sec. 70(1)(x) of the ITA, 2025 allows exemption from capital gains arising on redemption of Sovereign Gold Bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015.
- It is proposed to substitute the provision of Sec. 70(1)(x) to provide that the exemption shall be available only where the bonds are subscribed at the time of original issue and are held by an individual continuously till redemption on maturity.

Disallowance of expenses due to non-deduction/non-deposit of TDS to non-life insurance companies; allowable as deduction in the year of payment [Paragraph 4(3) of Schedule XIV of ITA, 2025]:

- Paragraph 4(1)(a) of Schedule XIV of ITA, 2025 dealing with computation of Profit and Gains of insurance business other than life insurance, provides for disallowance of any sum, interest etc. on which TDS has not been deducted or deducted but not paid within the due date of filing of Return of Income.
- It is proposed to insert new Paragraph 4(3) in the above Schedule, to allow non-life insurance companies to claim deduction for expenses earlier disallowed due to non-deduction &/or non-deposit of TDS, in subsequent year when such TDS has been deducted and paid.

Clarification on repeal and savings clause on items allowed as deduction in earlier years but to be treated as income in later year [Sec. 536(2)(h) of ITA, 2025]:

- It is proposed to treat sums which has been allowed as deduction or not included in the total income under the ITA, 1961, as deemed income under the ITA, 2025, if it was to be included in the total income under the provisions of the ITA, 1961 had it not been repealed.

Introduction of 'Foreign Assets of Small Taxpayers Disclosure Scheme, 2026':

- A new scheme i.e 'Foreign Assets of Small Taxpayers Disclosure Scheme, 2026' is proposed to be introduced through the Finance Bill, 2026 and will take effect from a date to be notified by the Central Government.

- It aims to allow small taxpayers to voluntarily disclose undisclosed foreign assets and foreign sourced income upon payment of applicable taxes or fees.

- Key features of the Scheme are as follows:

- applicable to residents and to non-residents/not ordinarily residents, who were residents in India either (a) in the year to which income referred in Sec. 4 of Black Money Act relates or (b) in the year of acquisition of undisclosed asset outside India.
- Scheme to be opted where such assessee has failed to furnish return u/s 139 of ITA, 1961 or failed to disclose such asset or income in the return of income or such asset or income has escaped assessment u/s 147 of ITA, 1961.
- Scheme is applicable where:
 - the aggregate value of undisclosed foreign income or undisclosed foreign assets does not exceed ₹1 Cr; in such case tax payable shall be 30% of value of undisclosed foreign asset or income along with 100% of such tax paid.
 - the value of asset located outside India not exceeding ₹5 Crs, acquired from income accruing outside India when the assessee was a non-resident, but not declared in return on becoming resident; in such case, fee of ₹1 lac is payable
 - the value of asset located outside India not exceeding ₹5 Crs, acquired from income offered to tax in India but not disclosed in return; in such case, fee of ₹1 lac is payable
- The declared income/assets shall not be included in total income under the Income-Tax Act or the Black Money Act, if related taxes has been paid on such income/assets as per the Scheme.
- No rectification, revision, set-off or relief shall be available in respect of such declaration.
- The Scheme grants immunity from further tax, penalty and prosecution, except in cases involving proceeds of crime or completed assessments under the Black Money Act.

Correction in provisions relating to Income from House Property [Sec. 22 of ITA, 2025]:

- In order to align provisions of ITA, 2025 with ITA, 1961, correction is proposed in Sec. 22(2) of ITA,

2025 to provide that ceiling limit of deduction of interest of ₹2 lacs in computing income from house property of a self-occupied or vacant property shall include interest payable on capital borrowed during any period prior to the tax year in which the property has been acquired or constructed.

Rationalisation of provisions in relation to deduction of dividend income of co-operative societies [Sec. 149(2)(d), Sec. 150, Sec. 203 & Sec. 204 of ITA, 2025]:

- Deduction of dividend income received from any other co-operative society which was hitherto not available to a co-operative society opting new tax regime is now being proposed to be allowed to the extent those dividends are distributed to members at least one month prior to the filing of return of income.
- Further, a temporary deduction (for 3 years: TY 2026-27 to 2028-29) of dividend income is also being proposed from 01-04-2026, to be allowed under both Old & New Tax regime, for dividends received by a notified federal co-operatives from any company, limited to investments made up to 31-01-2026 and distributed to its members at least one month prior to the filing of return of income.

Deduction in computing total income of co-operative societies from cattle feed & cotton seed [Sec. 149(2)(b) of ITA, 2025]:

- Hitherto, whole of the profits derived from supplying milk, oilseeds, fruits, vegetables etc. by co-operative society is eligible for deduction in computing total income u/s 149 (corresponding to Sec. 80P of ITA, 1961). It is proposed to extend said deduction to activities of 'cotton seed' & 'cattle feed' as well.

Amendment to include Multi-State Co-operative Societies Act, 2002 within the scope of Co-operative Society [Sec. 2(32) of ITA, 2025]:

- Hitherto as per Sec. 2(32) of ITA, 2025, the term "co-operative society" means a co-operative society registered under the Co-operative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies. It is proposed to amend the definition of "co-operative society" u/s 2(32) w.e.f. 01-04-2026, so as to explicitly include co-operative societies registered under the Multi-State Cooperative Societies Act, 2002 within its scope.

Expanding the list of minerals to allow expenditure on prospecting of critical minerals as deduction [Sec. 51 r.w. Schedule XII of ITA, 2025]:

- Sec. 51 r.w. Schedule XII is being expanded to allow deduction on deferred basis in respect of expenses incurred on prospecting and exploration of critical minerals.

Exemption of income on compulsory acquisition of land under RFCTLARR Act [Schedule III of ITA, 2025]:

- Hitherto, Sl. No. 18 of Schedule III of ITA, 2025, provides exemption to individual or HUF on capital gain income arising from transfer of agricultural land by way of compulsory acquisition under any law and subject to the conditions specified therein. There is no specific provision providing exemption to income in respect of any award or agreement made on account of compulsory acquisition of land under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act). However, Sec. 96 of the RFCTLARR Act and CBDT Circular No. 36/2016 clarified that such compensation shall also be exempted from Income Tax.
- It is proposed to amend the above Schedule III by inserting Sl. No. 38C, to provide exemption of aforesaid income, if compulsory acquisition is carried out on or after 01-04-2026 under the RFCTLARR Act.

Exemption of interest income received on compensation awarded under Motor Vehicle Act, 1988 [Sec. 11 r.w. Schedule III of ITA, 2025]:

- It is proposed to exempt interest received on compensation awarded by Motor Accident Claims Tribunal to the victims of accidents or his or her legal heir.

Interest income received on compensation awarded under Motor Vehicle Act, 1988 not liable for TDS for individuals [Sec. 393(4) (Table: Sl. No. 7, Column C(c)(iv)) of ITA, 2025]:

- Hitherto, interest received on compensation awarded to an individual by Motor Accident Claims Tribunal is liable to TDS, if interest amount exceeds ₹50,000.
- Henceforth, no tax shall be deducted at source on payment of such interest income.

Exemption for disability pension to armed force personnel [Schedule III of ITA, 2025]:

- It is proposed to amend Schedule III by inserting Sl. No. 38A to provide that income in the nature of Disability pension (both service and disability elements) received by Individual member of Armed forces (including paramilitary personnel) shall be exempt from tax provided that such individual is invalided out of service due to a bodily disability attributable to, or aggravated by service, and not due to retirement on superannuation or otherwise.

International Tax and Transfer Pricing

Extension of period of deduction and rationalization of IFSC provisions [Sec. 2(40)(v), 147 & 218 of ITA, 2025]:

- Sec. 147 is proposed to be amended to extend the period of tax holiday to 20 consecutive years out of 25 years for units in IFSC (presently 10 out of 15 years) and 20 consecutive years for Offshore Banking Units in SEZ (presently 10 years).
- It is also proposed that the business income of these units from IFSC, after the expiry of period of deduction, will be taxed @ 15% [Sec. 218].
- Sec. 2(40)(v) is proposed to be amended to narrow the dividend exclusion for inter-group loans by requiring other group entity to be located in a notified foreign jurisdiction, with the parent/principal entity listed on a stock exchange in a notified foreign jurisdiction. Definition of 'group entity' & 'parent entity' or 'principal entity' is also proposed to be inserted.

Exemption to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre [Sec. 11 r.w. Schedule IV(13C) of ITA, 2025]:

- To attract investment in data centre and promote artificial intelligence data centre framework in India, it is proposed to amend Schedule IV to provide exemption to 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 till TY 2046-47.
- Also, where services are provided to Indian users by the foreign company, exemption shall be available only if such services are routed through an Indian reseller entity.

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 [Sec. 11 r.w. Schedule IV(13A) of ITA, 2025]:

- To promote manufacturing of electronic goods by a contract manufacturer and provide certainty on taxation of providing capital equipment by a foreign company to such manufacturer, it is proposed to amend Schedule IV to provide exemption to a foreign company, 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 and produces electronic goods on behalf of such foreign company for a consideration till TY 2030-31.

Exemption to non-residents for rendering services under a notified Scheme in India [Sec. 11 r.w. Schedule IV(13B) of ITA, 2025]:

- To provide tax certainty to a non-resident individual visiting India for rendering certain services in connection with any notified Scheme

of the CG, it is proposed to amend Schedule IV to provide exemption on income which accrues or arises outside India and is not deemed to accrue or arise in India, to such individual. Such exemption shall be provided for five consecutive tax years commencing from the first tax year during which he visits India, if such person renders any service in India in connection with any Scheme as may be notified by the CG and fulfils such other conditions as may be prescribed.

Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of MAT [Sec. 206 of ITA, 2025]:

- Hitherto, Sec. 206 excluded certain foreign companies from the applicability of MAT under the existing provisions including the non-residents who opt for presumptive taxation u/s 61. To align other specified business i.e., business of operation of cruise ships and business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident, it is proposed to apply similar non-applicability of MAT provisions to the aforesaid specified businesses.

Time-limit for passing order by TPO [Sec. 92CA(3AA) of ITA, 1961 & Sec. 166(7) of ITA, 2025]:

- It has been proposed that computation of 60 days time-limit for passing order by TPO will include the date of limitation of passing assessment order. Accordingly, the following amendments have been proposed :-

Date of Limitation of passing assessment order	Last date of passing order by TPO	
	Under ITA, 1961	Under ITA, 2025
31 st March	- Upto 30 th January (non-leap Year) - Upto 31 st January (leap Year)	Upto 31 st January
31 st December	Upto 1 st November	Upto 31 st October

Rationalisation of APA provisions [Sec. 169 of ITA, 2025]:

- It is proposed that in case of a modification of income as a result of an APA entered into by a person, apart from such person, AEs may also furnish a return or a modified return, in accordance with and limited to the APA.
- It is also proposed that in case of IT Companies, unilateral APAs will be fast-tracked to be concluded within 2 years, subject to an extension of six months on the request of the taxpayer. Rules are proposed to be notified.

Amendments in Chapter XIII-G for giving effect to extension of Tonnage Tax Scheme to Inland Vessels [Sec. 227, 228, 232 & 235 of ITA, 2025]:

- Vide the Finance Act, 2025, the Tonnage Tax Scheme was extended to inland vessels registered under the Inland Vessels Act, 2021 to promote inland water transportation. It is proposed to make various modifications in Chapter XIII-G to align the said provisions with the Inland Vessels Act, 2021 and rules made thereunder.

Time limit for completion of assessment case involving draft order [Sec. 144C, 153 & 153B of ITA, 1961 and Sec. 275 & 286 of ITA, 2025]:

- Amendments have been proposed to clarify that time lines provided in Sec. 153/ 153B govern the draft order stage and the timelines provided in Sec. 144C operate for finalization of assessments, notwithstanding the time limit provided in the said sections. Similar amendments have been proposed in ITA, 2025.

Penalty provision for non-furnishing or furnishing inaccurate information in a statement on transaction of crypto-assets [Sec. 446 of ITA, 2025]:

- It is proposed to substitute Sec. 446 to levy a penalty of:
 - ₹200 per day for non-furnishing of statement on transaction of crypto assets; and
 - ₹50,000 for furnishing inaccurate particulars, failure to correct such inaccuracy or failure to comply with the due diligence requirements.

Rationalisation of Safe Harbour Rules

- It is proposed to rationalize the existing safe-harbour rules by clubbing Software Development, ITeS, KPO & Contract R&D services (pertaining to software development) under the category of 'Information Technology Services' and proposing a safe harbour margin of 15.5% on Operating Cost. It is also proposed to enhance the monetary threshold (Value of International Transactions) for applicability of the said rules from ₹300 Crs to ₹2000 Crs. The eligible assessee can apply the common safe harbour margin for a period of 5 years. Applications for safe harbour are proposed to be approved by an automated rule-driven process.
- It is also proposed to extend the safe harbour rules to Data Centre Services with proposed margin of 15% on cost and non-residents for component warehousing in a bonded warehouse at a profit margin of 2% of the invoice value.
- Rules are proposed to be notified.

Rationalisation of Penalty & Prosecution provisions
Rationalisation of Provisions of tax & penalty in case of unexplained income [Sec. 195(1) & 439(11) of ITA, 2025]:

- Presently income in the nature of unexplained credits, unexplained investment, unexplained

asset, unexplained expenditure and amount borrowed or repaid through hundi etc. is chargeable to tax at a higher rate of 60%. In order to rationalise the tax rate being disproportionate, the said rate is proposed to be reduced to 30%. Consequentially, special penalty rate of 10% on such income is also proposed to be rationalised and brought at par with the rate charged for misreporting of income @ 200%.

Fee to be levied instead of penalty for failure to get Tax Audit [Sec. 428(c) & 446 of ITA, 2025]:

- It is proposed to insert Sec. 428(c) of ITA, 2025 to levy following fee in case of failure to furnish report of Tax Audit as required u/s 63:
 - (i) ₹75,000 for a delay up to one month
 - (ii) ₹1,50,000 for delay beyond one month
- Consequently penalty of lower of ₹1,50,000 or 0.5% of total sales, turnover or gross receipts of business or profession as the case may be leviable u/s Sec. 446 of ITA, 2025 for the said default is proposed to be omitted.

Rationalisation of Penalty for failure to furnish report of Transfer Pricing Audit [Sec. 428(d) & 447 of ITA, 2025]:

- It is proposed to insert Sec. 428(d) of ITA, 2025 to levy following fee in case of failure to furnish report of Transfer Pricing Audit as required u/s 172:
 - (iii) ₹50,000 for a delay up to one month
 - (iv) ₹1,00,000 for delay beyond one month
- Consequently penalty of ₹1,00,000 leviable u/s Sec. 447 of ITA, 2025 for the said default is proposed to be omitted.

Fee to be levied instead of penalty for failure to furnish statement of Specified Financial Transactions into fee [Sec. 427(3) & 454 of ITA, 2025]:

- It is proposed to insert Sec. 427(3) of ITA, 2025 to levy a fee of ₹200 for every day of default in furnishing of statement of Specified Financial Transactions or Reportable Account u/s 508(2) subject to cap of ₹1,00,000. Consequently, penalty provisions u/s 454(1) is proposed to be omitted.
- Simultaneously, penalty of ₹1,000 per day of default in furnishing statement of Specified Financial Transactions in response to notice u/s 508(7) of ITA, 2025 leviable u/s 454(2) of ITA, 2025 is proposed to be capped to a sum of ₹1,00,000.

Expanding scope of immunity from penalty or prosecution in case of misreporting [Sec. 440 of ITA, 2025]:

- Presently, in case where the entire tax and interest as specified in demand notice is paid and no further appeal is filed against the order, there is immunity from penalty and prosecution for under reporting of income on fulfilment of specified conditions.
- The same immunity is proposed to be extended even to misreporting of income on payment of additional income tax to the extent of 100% of tax payable and for misreporting of unexplained income to the extent of 120% of tax payable.

Penalty for non-furnishing of information [Sec. 466 of ITA, 2025]:

- In order to ensure voluntary compliances and create adequate deterrence, it is proposed to increase the maximum amount of penalty to ₹25,000 from existing ₹1,000 in a case where a person fails to comply with the provisions of Sec. 254 i.e. power to collect information from the premises where business or profession is carried out.

Imposition of penalty for under-reporting or misreporting of income within the Assessment Order [Sec. 274, 270AA, 220 & 245MA of ITA, 1961] [Sec. 471, 411(3), Sec. 379(2) & 440 of ITA, 2025]:

- It is proposed to amend Sec. 274 of ITA, 1961 w.e.f. 01-03-2026 to provide that penalty for under-reporting or misreporting of income leviable u/s 270A shall be imposed within the assessment/reassessment order to be passed on or after 01-04-2027 in respect of AY 2026-27 or before, thereby avoiding multiplicity of proceedings and prolonged uncertainty.
- Further, it is proposed to amend Sec. 220 of ITA, 1961 w.e.f. 01-03-2026 to provide that interest in respect of demand of penalty levied u/s 270A shall be computed only from the date of order of CIT(A) or ITAT (in case of appeal against DRP orders).

- Consequential amendment is proposed u/s 245MA(2) of ITA, 1961 w.e.f. 01-03-2026 to empower the Dispute Resolution Committee (DRC) to waive any penalty levied u/s 270A in the specified assessment orders.
- Consequential amendment is also proposed u/s 270AA of ITA, 1961 w.e.f. 01-03-2026 to empower the AO to waive penalty levied u/s 270A.
- Similar amendments are also proposed in Sec. 471, 411(3), Sec. 379(2) & 440 of ITA, 2025 corresponding to Sec. 274, 220, 245MA(2) & 270AA of ITA, 1961 respectively from 01-04-2026 and shall be effective from 01-04-2027 in respect of assessment/reassessment orders for TY 2026-27 and onwards.

Increase of additional income tax on updated return pursuant to notice u/s 148 and non-levy of penalty on income offered in such updated return [Sec. 140B(3A) & 270A(11A) of ITA, 1961] [Sec. 267(5) & 439(13A) of ITA, 2025]:

- It is proposed to insert Sec. 140B(3A) in ITA, 1961 w.e.f. 01-03-2026 to provide that where an updated return is filed in pursuance of a notice issued u/s 148 within the period specified in the said notice, the additional income-tax payable u/s 140B(3) shall be increased by a further sum of 10% of the aggregate of tax and interest payable on account of furnishing the updated return.
- Simultaneously it is proposed to insert Sec. 270A(11A) in ITA, 1961 w.e.f. 01-03-2026 to provide that where additional income-tax as further increased by 10% is paid u/s 140B(3A), the income on which such additional income-tax is paid shall not be considered for imposition of penalty u/s 270A.
- Similar amendments are also proposed in Sec. 267(5) & 439(13A) of ITA, 2025 corresponding to Sec. 140B(3A) & 270A(11A) of ITA, 1961 respectively from 01-04-2026 for TY 2026-27 and onwards.

Rationalization of provisions relating to Prosecution proceedings:

- It is proposed to amend Secs. 473 to 485 & 494 of ITA, 2025 (Secs. 275A to 278A & 280 of ITA, 1961) with the objective of ensuring that the punishment prescribed for offences is proportionate to the nature and gravity of the crimes committed.

Section	Nature of Offence	Existing Provisions	Proposed Provisions
473 (Sec. 275A)	Contravention of order made during Search & Seizure		Simple imprisonment up to 2 years + fine
474 (Sec. 275B)	Not providing necessary facility to inspect the books of account or other documents during search proceedings	Rigorous imprisonment up to 2 years + fine	Simple imprisonment up to 6 months and/or fine
475 (Sec. 276)	Removal / concealment / transfer or delivery of property to prevent recovery		Simple imprisonment up to 2 years + fine
476(1)(b) (Sec. 276B)	Failure to pay tax or ensure payment of tax in case of: (a) winnings from lottery, crossword puzzles, card games, gambling, etc., any benefit or perquisite		No prosecution proceedings
		Rigorous imprisonment of not less than 3 months which may extend to 7 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only No prosecution proceedings if consideration/winning is in kind.
477 (Sec. 276BB)	Failure to deposit TCS	Rigorous imprisonment of not less than 3 months which may extend to 7 years + fine	a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only

Section	Nature of Offence	Existing Provisions	Proposed Provisions
478(1) (Sec. 276C(1))	Wilful attempt to evade tax / penalty / interest	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
478(2) (Sec. 276C(2))	Wilful attempt to evade payment of tax / penalty / interest	Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	
479 (Sec. 276CC)	Failure to furnish returns of income	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	
480 (Sec. 276CCC)	Failure to furnish return in search cases	Imprisonment of not less than 3 months, which may extend to 3 years + fine	
481 (Sec. 276D)	Failure to produce accounts/documents	Rigorous imprisonment up to 1 year + fine	For accounts and documents as referred in Sec. 268(1) - No prosecution For Special Audit/ valuation - Simple imprisonment up to 6 months or fine or both
482 (Sec. 277)	False statement in verification etc.	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
483 (Sec. 277A)	Falsification of books of account or document etc.	Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	Simple imprisonment up to 2 years + fine

Section	Nature of Offence	Existing Provisions	Proposed Provisions
484 (Sec. 278)	Abetment of false return, etc.	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years+ fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
485 (Sec. 278A)	Second & subsequent offences	Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine	Simple imprisonment of not less than 6 months, which may extend to 3 years + fine
494(1) (Sec. 280(1))	Disclosure of particulars by public servant	Imprisonment up to 6 months + fine	Simple imprisonment up to 1 month or fine or both

- The amendments in the aforesaid provisions in ITA, 1961, & ITA, 2025 shall be applicable from 01-03-2026 & 01-04-2026 respectively.



Relaxation of prosecution provisions under Black Money Act:

- Failure to furnish return having foreign assets or income [Sec. 49] & wilfully omits to disclose foreign assets or income in the return [Sec. 50] of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for rigorous imprisonment for not less than 6 months but which may extend to 7 years and with fine. It is now proposed w.e.f. 01-10-2024, to provide that aforesaid prosecution provisions of Sec. 49 & 50 shall not apply in cases of foreign assets (other than immovable property) whose aggregate value does not exceed ₹20 lacs.

General and Administrative

An assessment order to remain valid even if there is an error or omission in the DIN provided the order is linked to or refers to a DIN in any manner. [Sec. 292BA of ITA, 1961 & Sec. 522 of the ITA, 2025]:

- CBDT Circular No. 19/2019 dated 14-08-2019, provides quoting of computer generated Document Identification Number (DIN), inter alia, on assessment order issued on or after 01-10-2019 by I.T. Authority. Courts have interpreted that assessment order becomes invalid on technical ground like non-quoting of DIN on every page of the order/ on the body of the order, despite lawfully generation and quoting of DIN in the communication accompanying the order.
- In order to annul the above interpretation, it is proposed to insert new Sec. 292BA clarifying that an assessment shall be valid if assessment order is referenced by DIN in any manner. Further, reference of DIN in the assessment order, would be sufficient compliance even if there is some minor mistake, defects or omission in notices or summon in relation to such assessment. The said clarification is proposed w.r.e.f. 01-10-2019. Similar amendment has also been proposed in Sec. 522 of the ITA, 2025 w.e.f. 01-04-2026.

Enabling filing of declaration for non-deduction of TDS to a Depository [Sec. 393(6) & 393(7) of ITA, 2025]:

- Hitherto, Sec. 393(6) of the ITA, 2025 provides that the resident individual has to furnish separate declaration that his/her estimated income tax liability is NIL, to each payer for non-deduction of TDS on income from units of a mutual fund, interest income from securities and dividends. This has led to increase in compliance burden on such individual.

- To simplify compliance, it is proposed to amend Sec. 393(6) w.e.f. 01-04-2027, to provide that the individual resident may furnish the declaration electronically to a depository for non-deduction of TDS in respect of the aforesaid incomes, where the units and securities are held with such depository and securities are listed in stock exchange. Such Depository, in turn shall report such declarations to the concerned payer of specified incomes. Further, Sec. 393(7) has been amended to enhance the time limit for furnishing the declaration by the payer to Income Tax Authority from monthly to quarterly basis.

Easement of compliance for small taxpayers in obtaining lower or NIL deduction of tax certificate [Sec. 395(6) of ITA, 2025] (w.e.f. 01-04-2026):

- It is proposed to provide an option to small tax payers to file an application electronically for obtaining lower or nil withholding tax certificate before prescribed income tax authority who may issue such certificate subject to fulfillment of prescribed conditions.
- The prescribed income tax authority and prescribed conditions is yet to be defined.

Relaxation to Resident Individual/HUF from obtaining TAN where the Seller of the Immovable Property is a Non Resident. [Sec. 397(1)(c) of ITA, 2025] (w.e.f. 01-10-2026):

- Under the existing provision, if a resident individual or an HUF purchases an immovable property from a non-resident seller, the buyer is required to obtain TAN for depositing TDS.
- In order to remove the burden of obtaining TAN for a single transaction, it is proposed that if a resident individual or an HUF purchases an immovable property from a non-resident seller, the said individual or HUF is not required to obtain TAN for depositing TDS.

Scope of definition of 'Work' expanded to include 'supply of manpower' for TDS provisions [Sec. 402(47) & 393(1) of ITA, 2025]:

- It is proposed to enlarge the definition of 'Work' to include within its scope 'supply of manpower to a person to work under his supervision, control or direction'. Accordingly, such payments shall be subject to TDS considering them as payments made to contractors for carrying out any work and not as fees paid for professional or technical services.

Aligning provisions of TDS on interest income for co-operative banks and land mortgage banks [Sec. 393(4) of ITA, 2025] (w.e.f. 01-04-2026):

- Presently, Sec. 393(4) of ITA, 2025 specifies the conditions where tax is not required to be deducted at source with respect to interest [other than interest on securities referred to in Sec. 393(1)] received by any banking company.
- Sec. 393(4) is proposed to be amended to provide that no deduction of tax at source shall be made on interest income (other than interest on securities) credited or paid to co-operative society engaged in business of banking including a co-operative land mortgage bank in order to align the same with ITA, 1961.

Rationalization of provisions relating to Tax Collected at Source [w.e.f. 01-04-2026]:

- It is proposed to amend TCS rates u/s 394(1) of ITA, 2025 (Secs. 206C of ITA, 1961) as under w.e.f. 01-04-2026:

Sl. No.	Nature of Transaction	Existing 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, being coal or lignite or iron ore	1%	2%
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amount exceeding ₹10 lacs	(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.
6	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	(a) 5% of amount or aggregate of amount up to ₹10 lacs; (b) 20% of amount or aggregate of amount exceeding ₹10 lacs.	2%

Increase in rates of Securities Transaction Tax (STT) on Futures & Options (w.e.f. 01-04-2026):

- It is proposed to increase the Securities Transaction Tax (STT) on
 - Sale of an option in securities from 0.10% to 0.15% of the option premium,
 - Sale of an option where the option is exercised from 0.125% to 0.15% of the intrinsic value and
 - Sale of a future in securities from 0.02% to 0.05% of the traded value.

Rationalisation of provisions of block assessment in case of "any other person" [Sec. 295 & Sec. 296 of ITA, 2025]:

- Presently, Sec. 295 provides for block assessment of any other person [third party], being a person other than person on whom search is initiated

[specified person] as per which block period is same for both the specified person and the third party i.e year of initiation & ending of Search + 6 preceding Tax Years

- It is proposed from 01-04-2026 to amend sub-sec. (2) of Sec. 295 as follows:
 - Where the undisclosed income pertains only to the tax year immediately preceding the year of initiation of search or requisition and up to the date of end of search or requisition, the block period shall be limited to such tax year [Sec. 295(2)(c)].
 - Where the undisclosed income pertains to only one tax year out of the five preceding tax years, the block period shall comprise only of that single tax year [Sec. 295(2)(d)].

- Presently, Sec. 296 prescribes a time limit of 12 months from the end of the quarter in which the last of the authorisations for search was executed, or requisition was made for completion of block assessment in case of any other person. It is now proposed from 01-04-2026, to provide time limit of 18 months from the end of the quarter in which search was initiated or requisition was made.

Correction in provisions relating to powers of CBDT to make rules for quoting of PAN [Sec. 262(10)(c) of ITA, 2025]:

- In order to align provisions of ITA, 2025 with ITA, 1961, correction is proposed in Sec. 262(10)(c) of ITA, 2025 to provide that CBDT shall have powers to make rules for quoting of PAN in documents relating to transactions other than business or profession as well.

Provision relating to Non-profit Organisations (NPOs):

- New Sec. 354A of ITA, 2025 proposed to be inserted to provide for exemption of tax on accreted income on mergers of registered NPO with similar NPO subject to fulfilment of certain conditions as may be prescribed.
- Reference of violation on account of commercial activities which was wrongly specified both under specified violation (Sec. 351) as well as under other violations (Sec. 353) is proposed to be rectified & kept only as other violations.
- Provisions for filing belated return by NPO is also being proposed.
- Reference of persons who were not required to obtain registration under the ITA, 1961 to claim exemption u/s 10 removed from Sec. 332(1)

- (f) so that they shall not be required to obtain registration under ITA, 2025.

Rationalisation of Provident Fund Schedule (XI) in alignment with PF regulatory regime:

- Various amendments proposed in Schedule XI of ITA, 2025 to rationalise and align the income tax provisions governing recognised provident funds with the prevailing EPF framework. Provisions which restricted employer contribution for parity with employee contribution and mandates annual contribution etc. has been done away with. It is also proposed that only funds which have obtained exemption u/s 17 of EPF Act may apply for recognition under ITA, 2025.

Rationalisation of FEMA (Non-Debt Instruments) Rules, 2019:

- With the aim of boosting foreign investments and strengthening capital inflows, it is proposed to permit Individual Persons Resident Outside India (PROI) to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to double the investment limit under this scheme for an individual PROI from 5% to 10%, with an overall investment limit for all individual PROIs to 24% from the current 10%. FEMA Rules to be amended to incorporate this proposal.

Reduction in quantum of pre-deposit for stay of demand

- As per the Budget Speech given by Hon'ble FM, in case, appeal is filed before CIT(Appeals) against the assessment order, pre-deposit for stay of demand is proposed to be lowered to 10% from existing 20%. Such quantum of pre-deposit will be calculated on core tax demand.





SECTION 2

BUDGET SNAPSHOT
INDIRECT TAX - AT A GLANCE

Indirect Tax Proposals
Customs Act, 1962

Extension of Customs Jurisdiction beyond Territorial Waters [Sec. 1(2)]

- Jurisdictional scope of the Customs Act, 1962 is proposed to be extended beyond India's territorial waters for fishing and fishing related activities. "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 Customs Regime for Offshore Fishing [Sec. 56A]

- A new sec. 56A is proposed to be inserted to establish a dedicated customs regime for offshore fishing activities enabling duty-free import of fish harvested beyond territorial waters and treats fish landed at foreign ports as exports. It further empowers the prescription of comprehensive procedural rules governing declaration, custody, examination, transit, transshipment, and clearance.

Recovery of duties [Sec. 28]

- Sec. 28(6)(i) is proposed to be amended to deem any penalty paid under sub-section (5) of the said section, upon determination, as a charge for non-payment of duty.

Extension of validity on applicability of Advance Ruling [Sec. 28J]

- Sec. 28J(2) is proposed to be amended to extend the existing validity of Advance Rulings from three years to 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.

Removal of goods from one warehouse to another [Sec. 67]

- An amendment is proposed to do away with the earlier requirement of prior permission of the

proper officer for removal of warehoused goods from one custom bonded warehouse to another.

Regulations regarding goods imported or exported by post or courier [Sec. 84]

- Sec. 84 is proposed to be amended to empower the Board to make provisions for the custody of goods imported or to be exported by post or courier.

Rationalisation of Baggage Provisions

- The Baggage Rules, 2016 is proposed to be superseded by the Baggage Rules, 2026 to rationalise baggage related provisions and address passenger related concerns at airports. The new Rules aim to resolve interpretational issues and provide clarity on temporary carriage of goods brought into or taken out of India to avoid unnecessary detention of goods.
- The earlier regulations for baggage declaration have been proposed to be replaced by Customs Baggage (Declaration and Processing) Regulations, 2026 with a view to streamline and digitise baggage declaration and clearance for passengers arriving in or departing from India, w.e.f. 02-02-2026. The primary focus of these new regulations is only on procedure and declaration, while duty and allowances are governed separately by the Baggage Rules, 2026.
- Transfer of residence benefits are being restructured for Indian residents and foreign professionals based on the duration of stay [w.e.f. 02-02-2026].

Deferred payment of Import Duty Rules, 2016

- Deferred Import duty payment is proposed to be amended to 30 days from existing 15 days.
- New class of "eligible manufacture importer" is proposed to be introduced to expand and rationalise the scope of importers entitled to avail the deferred payment facility.



Customs Tariff Act, 1975

- First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to adjust tariff rates, shift exemptions into the tariff without changing effective duty, and create new tariff lines for better classification and monitoring. Consequential changes apply to SWS and AIDC [w.e.f. 01-05-2026].

Change in Basic Customs Duty

Sl. No.	Particulars	Rate	Effective date
1.	Umbrellas (other than garden umbrellas)	20% or ₹60 per piece (whichever higher)	02-02-2026
2.	Parts, trimmings and accessories of umbrella	10% or ₹25/kg (whichever higher)	
3.	All dutiable goods, imported for personal use	10%	01-04-2026
4.	Industrial & strategic inputs like artemia, rare earths, lithium/cobalt and other critical mineral compounds, selected chemicals (silicon, selenium, etc.), artificial graphite, metal scrap, long-staple cotton, and engineering drawings.	Nil	01-05-2026
5.	Agriculture, food and marine products such as frozen turkey meat, nuts, makhana, shrimp feed; graphite, quartz, coal, crude petroleum; chemicals like phosphoric acid; and machinery such as reactors, storage tanks and PVC polymers.	Nil/ Concessional	
6.	Sodium antimonate for solar glass, goods for nuclear power generation, Monazite, and specified goods for microwave oven manufacture	Nil	02-02-2026
7.	Potassium Hydroxide	7.5%	
8.	Capital goods for Li-ion cell manufacturing extended to stationary energy storage systems	Exempted	02-02-2026
9.	Raw materials for aircraft parts for MRO when imported by Defence PSUs, subject to end-use	Exempted	
10.	Components and engines used in aircraft and aircraft parts manufacture, subject to end-use compliance	Exempted	02-02-2026
11.	All eligible nuclear power projects (no capacity limit)	Validity of exemption extended till 30-09-2035	
12.	17 additional drugs/medicines	Exempted	02-02-2026
13.	7 rare diseases added under NPRD on drugs/medical foods imported for personal use	Exempted	

- New tariff lines proposed to be introduced for specific agri-food items, pharma products and chemical intermediates to improve product identification [w.e.f. 01-05-2026].
- Separate classifications proposed to be created for wet blue leather, advanced materials (fluorspar, ammonium metavanadate, tungsten products) and electronic/appliance parts.
- Exemptions proposed to be simplified in relation to critical minerals by shifting some rates into the Customs Tariff, consolidating items into Notification No. 45/2025-Cus, by withdrawal of the existing notification.

Review and Extension of Conditional Customs Duty Exemptions

- Hitherto 124 entries used to enjoy conditional exemption/concessional duty under Notification No. 45/2025- Customs upto 31-03-2026. Out of 124 entries, extension is proposed for 102 entries up to 31-03-2028 and conditional exemption/concessional duty of 22 entries will lapse on 31-03-2026.

Social Welfare Surcharge (SWS)

- Amendment in Notification No. 11/2018-Customs is proposed to include :
 - Continuation of SWS exemption for specified goods (Natural graphite, quartz and quartzite, silicon dioxide and artificial graphite) [w.e.f. 01-05-2026]
 - Continuation of same SWS incidence for goods under sub heading 2106 90. [w.e.f. 01-05-2026]
 - Continuation of SWS exemption for Spent catalyst and ash containing precious metals [w.e.f. 01-04-2026]
- Levy of SWS on imports of goods for personal use [w.e.f. 01-04-2026]
- Exemption from SWS for parts of electronic toys used for manufacturing [w.e.f. 02-02-2026]

Agriculture Infrastructure and Development Cess (AIDC)

AIDC rate to remain unchanged @ 0.5% on new pneumatic tyres, of rubber of a kind used on aircraft (other than those attracting NIL BCD) [w.e.f. 02-02-2026]

Goods and Services Tax (GST)

Post-Sale Discounts [Sec. 15(3) and Sec. 34 of the CGST Act, 2017]

- An amendment is proposed to substitute Sec. 15(3)(b) to allow post-supply discounts to be excluded from the value of supply even in the absence of a prior agreement, provided the supplier issues a credit note and the recipient of the supply undertakes proportionate reversal of Input Tax Credit (ITC), in accordance with Sec. 34 of the Act.
- An amendment in Sec. 34(1) is also proposed to expressly include post-sale discounts referred to in Sec. 15(3)(b) as a valid ground for the issuance of credit notes.

Grant of Refund [Sec. 54 of the CGST Act, 2017]

- Scope of Sec. 54(6) granting 90% provisional refund is proposed to be extended to include unutilised ITC arising on account of an inverted duty structure.
- Restriction contained in Sec. 54(14) of the CGST Act, 2017 for the minimum refund threshold of ₹1,000 shall not apply where refund is claimed on account of export of goods made with payment of IGST.

Interim Empowerment of Tribunal for Advance Ruling Appeals [Sec. 101A of the CGST Act, 2017]

- Sec. 101A of the CGST Act, 2017 is proposed to be amended by inserting a new sub-section (1A), empowering the government to authorise any existing Authority or Tribunal to hear appeals under Sec. 101B until the National Appellate Authority for Advance Ruling (NAA) is constituted.

Place of Supply in relation to Intermediary Services [Sec. 13 of the IGST Act, 2017]

- Sec. 13(8)(b) of the IGST Act, 2017 is being proposed to be omitted pursuant to recommendation of the 56th GST Council meeting, thereby providing that the place of supply of intermediary services shall be the location of the recipient of services prescribed under Sec. 13(2) of the IGST Act, 2017.

Excise Duty

Revision of National Calamity Contingent Duty (NCCD) Schedule Rates on Tobacco Products

- Seventh Schedule to the Finance Act, 2001 is amended to revise the NCCD Schedule rates on chewing tobacco, jarda scented tobacco and other tobacco products including gutkha from 25% to 60%. The amendment will be effective from 01-05-2026, with the effective rate being maintained at 25%.

Exemption from Central Excise duty on value of Biogas/Compressed biogas

- Value of Biogas/Compressed Biogas is proposed to be excluded from the Central Excise duty payable on biogas blended CNG [w.e.f. 02-02-2026].

Deferment of date of implementation of higher Excise duty on sale of unblended diesel

- Levy of additional excise duty of ₹2 per litre on unblended diesel is deferred till 31-03-2028.



SECTION 3
TAX PROVISIONS APPLICABLE TO NON-CORPORATE ASSESSEE

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3.1 Tax Rates for Individual, HUF, AOP, BOI and Artificial Juridical Person [TY 2026-27]

Sl. No.	Income Tax Slabs		ETR under old regime [^] (including surcharge [#] and cess [@])	Proposed ETR as per Sec. 202(1) of ITA, 2025 [Sec. 115BAC(1A) of ITA, 1961] [^] (including surcharge [#] and cess [@])
	From	Up to		
1.	-	2,50,000*	Nil	Nil
2.	2,50,001	4,00,000+	5.20%	Nil
3.	4,00,001	5,00,000+	5.20%	5.20%
4.	5,00,001	8,00,000+	20.80%	5.20%
5.	8,00,001	10,00,000+	20.80%	10.40%
6.	10,00,001	12,00,000+	31.20%	10.40%
7.	12,00,001	16,00,000	31.20%	15.60%
8.	16,00,001	20,00,000	31.20%	20.80%
9.	20,00,001	24,00,000	31.20%	26.00%
10.	24,00,001	50,00,000	31.20%	31.20%
11.	50,00,001	1,00,00,000	34.32%	34.32%
12.	1,00,00,001	2,00,00,000	35.88%	35.88%
13.	2,00,00,001	5,00,00,000	39.00%	39.00%
14.	Above 5,00,00,000		42.74%	39.00%

^{*}In case of resident individual of age 60 years or more (senior citizen) and age 80 years or more (super senior citizen), basic threshold limit of ₹3,00,000 and ₹5,00,000 respectively remains unchanged under the old regime.

⁺For resident individuals under new regime, the maximum rebate available u/s 156 of ITA, 2025 (Sec. 87A of ITA, 1961), whose total income does not exceed ₹12,00,000 remains unchanged at ₹60,000 (rebate not available against any income chargeable at special rates like capital gains u/s 196, 197, etc. (Sec. 111A, 112)). For resident individuals under old regime whose total income does not exceed ₹5,00,000, maximum rebate amounting to ₹12,500 remains unchanged.

[^]Standard deduction under salaries for tax payers under new regime and old regime remains unchanged at ₹75,000/- and ₹50,000/- respectively.

[#]Surcharge is applicable at the following rates:

Total Income	Surcharge under old regime [@]	Surcharge under new regime u/s 202(1) of ITA, 2025 (Sec. 115BAC(1A) of ITA, 1961) [@]
For ₹50,00,001 - ₹1,00,00,000	10%	10%
For ₹1,00,00,001 - ₹2,00,00,000	15%	15%
For ₹2,00,00,001 - ₹5,00,00,000 [^]	25% [^]	25% [^]
Above ₹5,00,00,000 [^]	37% [^]	25% [^]

[^]Surcharge on income by way of dividend and income chargeable u/s 196 (Sec. 111A of ITA, 1961) (STCG on listed securities), u/s 198 (Sec. 112A of ITA, 1961) (LTCG on listed securities), u/s 197 (Sec. 112 of ITA, 1961) (LTCG other than those specified in Sec. 198) or u/s 210(1) (Table Sl. No. 2 to 5) (Sec. 115AD(1)(b) of ITA, 1961) (certain income of foreign institutional investors) shall not exceed 15%.

[^]Where Total Income exceeds ₹2 Crs. owing to inclusion of income by way of dividend and income chargeable u/s 196 (Sec. 111A of ITA, 1961) (STCG on listed securities), u/s 198 (Sec. 112A of ITA, 1961) (LTCG on listed securities), u/s 197 (Sec. 112 of ITA, 1961) (LTCG other than those specified in Sec. 198) or u/s 210(1) (Table Sl. No. 2 to 5) (Sec. 115AD(1)(b) of ITA, 1961) (certain income of foreign institutional investors), then surcharge shall be 15%.

[^]Surcharge applicable to AOP consisting of only companies as its members shall not exceed 15%.

[^]Marginal relief shall be provided in all cases where surcharge shall be imposed.

[@]Health & Education Cess @ 4% is applicable in all cases.



SECTION 4
CORPORATE TAXATION

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4.1 Corporate Income Tax Rates [TY 2026-27]

Sl. No.	Particulars	Tax (%)	Surcharge# (%)	Health & Education Cess (%)	Effective Tax (%)	MAT Applicability [Rate @14%] (%)
A.	Domestic companies whose total turnover or gross receipts in TY 2024-25 is <= ₹400 Crs. & Domestic Manufacturing Companies covered u/s 199 of ITA, 2025 (Sec.115BA of ITA, 1961)^					Applicable
1.	Total income ≤ ₹1 Cr.	25	-	4	26.00	14.56
2.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	25	7	4	27.82	15.58
3.	Total income > ₹10 Crs.	25	12	4	29.12	16.31
B.	Domestic companies covered u/s 200 of ITA, 2025 (Sec. 115BAA of ITA, 1961)^					Not Applicable
4.	Total Income	22	10	4	25.17	-
C.	Domestic companies covered u/s 201 of ITA, 2025 (Sec. 115BAB of ITA, 1961)^					Not Applicable
5.	Income from manufacturing activities or incidental activities	15	10	4	17.16	-
6.	Business income from non-manufacturing activities^^	22	10	4	25.17	-
7.	STCG from depreciable assets incidental to manufacturing	15	10	4	17.16	-
8.	STCG from non-depreciable asset	22	10	4	25.17	-
9.	Income taxable under the head house property^^	22	10	4	25.17	-
10.	Excess Profits in arranged transactions determined by AO	30	10	4	34.32	-
11.	Any other income^^	22	10	4	25.17	-
D.	Other Domestic companies					Applicable
12.	Total income ≤ ₹1 Cr.	30	-	4	31.20	14.56
13.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	30	7	4	33.38	15.58
14.	Total income > ₹10 Crs.	30	12	4	34.94	16.31
E.	Foreign Companies					
15.	Total income ≤ ₹1 Cr.	35	-	4	36.40	14.56
16.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	35	2	4	37.13	15.58
17.	Total income > ₹10 Crs.	35	5	4	38.22	16.31

^{*}Concessional tax rate as specified in Sec. 199 of ITA, 2025 (Sec. 115BA of ITA, 1961), 200 of ITA, 2025 (Sec. 115BAA of ITA, 1961) and 201 of ITA, 2025 (Sec. 115BAB of ITA, 1961) is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec. 196 of ITA, 2025 (Sec. 111A of ITA, 1961), 197 of ITA, 2025 (Sec. 112 of ITA, 1961) or 198 of ITA, 2025 (Sec. 112A of ITA, 1961), rates specified therein shall be applicable to all domestic companies.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

[#]No surcharge shall apply on tax computed on income of specified fund [referred to in Schedule VI [Note 1(g)] of ITA, 2025 (clause (c) of Expl. to Sec. 10(4D) ITA, 1961) in respect of income chargeable u/s 210(1) [Table Sl. No. 1] (Sec. 115AD(1)(a) of ITA, 1961).

[#]Marginal relief shall be provided in all cases where surcharge shall be imposed.

4.2

Rationalisation of provisions of Minimum Alternate Tax [Sec. 206 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, both under the ITA, 1961 & ITA, 2025, an assessee being a company is eligible to carry forward and set off MAT Credit upto 15 Tax Years, under the old tax regime.
- If the assessee opts for new tax regime u/s 115BAA of the ITA, 1961 (corresponding to Sec. 200 of the ITA, 2025), it will not be entitled to set off accumulated MAT Credit.
- It is proposed to amend Sec. 206 of ITA, 2025 relating to MAT provisions to provide -
 - Reduction in MAT rate from 15% to 14% (for both domestic & foreign company);
 - Domestic company shall not be entitled to avail & set off accumulated MAT Credit, if return of income is filed under the old tax regime from TY 2026-27 onwards;
 - If a domestic company presently under the old tax regime, opts for new tax regime in TY 2026-27 or subsequent years, it will be entitled to set off MAT Credit accumulated till 31-03-2026 (i.e. upto AY 2026-27);
 - Quantum of MAT credit eligible for set off will be restricted to 25% of the tax payable on Total Income of that tax year under the new tax regime and balance will be carried forward;
 - Foreign company shall not be entitled to generate MAT Credit from TY 2026-27 onwards;
- Foreign company can set off MAT Credit accumulated upto AY 2026-27 in subsequent years.

Comments

- If a domestic company opts for new tax regime u/s 115BAA of the ITA, 1961 in TY 2025-26 (AY 2026-27), it will not be eligible to set off MAT Credit accumulated upto AY 2025-26 and such credit shall lapse.
- Companies not claiming any Tax Holiday under Chapter-VIA and possessing accumulated MAT credit are better positioned to migrate to the new tax regime.
- Companies claiming Tax Holidays under Chapter-VIA and have accumulated MAT Credit needs to analyze whether it is feasible to continue in the old tax regime or opt for new tax regime.
- Companies who have already migrated to the new tax regime u/s 115BAA between AYs 2020-21 to 2025-26 without getting the benefit of set off of accumulated MAT credit will be at a disadvantageous position. The possibility of litigation on this issue cannot be ruled out.
- It is recommended that companies assess the timing of migration, projected tax liability, remaining MAT credit utilization period and the impact of foregone deductions before exercising the option u/s 115BAA.



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5.1

Rationalisation of certain terms for treasury centres in IFSC [Sec. 2(40)(v) of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, as per the provisions of Sec. 2(40), the definition of "dividend" excludes any advance or loan between group entities. Currently, this exclusion applied if one entity is an IFSC based "Finance Company" or "Finance Unit" and the parent or principal entity of such group is listed on a stock exchange in a foreign territory as specified by the Board.
 - It is now proposed to narrow the dividend exclusion for inter-group loans by requiring other group entity to be located in a notified foreign jurisdiction, with the parent/principal entity listed on a stock exchange in a notified foreign jurisdiction.
 - It is also proposed to define the following terms:-
 - a. **Group Entity:** to have same meaning as provided for in Regulation 2(1)(m) of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019;
 - b. **Parent Entity/ Principal Entity:** In relation to one or more other group entities, means an entity of which other group entities are subsidiary and such entity:-
 - i. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or
 - ii. controls the composition of the Board of Directors.
- Comments**
- The proposed amendment restricts the dividend exclusion for inter-group loans by making it jurisdiction linked. Further, this is expected to significantly restrict the exemption, increase the risk of deemed dividend taxation for IFSC-led group financing, and may require a review of existing treasury and funding structures.

5.2

Extension of period of deduction for units in IFSC and rationalisation of tax rate [Sec. 147 & 218 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 147 prescribes a 100% deduction on specified incomes for a period of 10 consecutive years out of 15 years for units within the IFSC and 10 consecutive years for Offshore Banking Units (OBUs) in a SEZ.
 - To increase the competitiveness of IFSC, Sec. 147 is proposed to be amended to increase the period of deduction to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs.
 - Hitherto, Sec. 218 provides the business income of these units from IFSC, after the expiry of period of deduction, will be taxed as per the provisions of the Act. Sec. 218 is also proposed to be amended to provide that the business income of these units from IFSC, after the expiry of period of deduction, will be taxed at the rate of 15%.
 - Also, the deduction to the units in IFSC/ OBUs, commencing operations on or after 01-04-2026, shall be available only if such units are not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India.
- Comments**
- The timing of the extension provide a fillip for IFSC entities, established around 2015, as these entities were approaching the end of their original tax holiday in 2025-26. Also, concessional tax rate of 15% during the non-tax holiday period, places Gift City in a strong competitive position relative to other leading IFSCs globally.

5.3

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 [Sec. 11 r.w. Schedule IV(13A) of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 11 r.w. Schedule IV of ITA, 2025 specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.
 - Schedule IV is proposed to be amended to provide exemption to a foreign company, 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 and produces electronic goods on behalf of such foreign company for a consideration till Tax Year 2030-31.
 - It is also proposed that ownership of such capital goods, equipment or tooling remains with the foreign company and control & direction of such capital goods, equipment or tooling is with the contract manufacturer.
 - Previously, foreign companies (e.g., Apple) feared that if they funded or provided expensive equipment to their Indian contract manufacturers (like Foxconn or Tata), Indian Tax Authorities might deem it a "business connection" and tax their profits. This forced manufacturers to spend heavily on machines, limiting speed and scale.
 - The proposed amendment aims to remove this risk, allowing foreign firms to provide machines without tax liability, thus facilitating faster scaling of local production.
 - The exemption is deliberately restricted to units located in customs bonded warehouses (technically considered being outside India's customs border) to ensure that the benefit is confined to export-oriented electronics manufacturing carried out in a regulated and supervised environment. Bonded facilities provide customs oversight, duty efficiency and traceability of capital equipment, thereby preventing the relief from being used for domestic market operations.
- Comments**
- The above exemption has been provided to encourage investment in the electronics manufacturing ecosystem.

5.4

Exemption to non-residents for rendering services under a notified Scheme in India [Sec. 11 r.w. Schedule IV(13B) of ITA, 2025] [w.e.f. TY 2026-27]

- Schedule IV is proposed to be amended to provide exemption on income which accrues or arises outside India and is not deemed to accrue or arise in India, to a non-resident individual –
 - Being 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 in India;
 - Such services will be with regard to any scheme as may be notified by the CG;
- Such exemption shall be provided for five consecutive tax years commencing from the first tax year during which such individual visits India.

Comments

- The proposed exemption has been provided to enable vast pool of global talent to come and work in India for a longer period of time. This shall ensure that only Indian sourced income of such individual shall be taxed irrespective of the residential status of such individual.

5.5

Exemption to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre [Sec. 11 r.w. Schedule IV(13C) of ITA, 2025] [w.e.f. TY 2026-27]

- Schedule IV is proposed to be amended to provide exemption to 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 till Tax Year 2046-47.
- It is also proposed that where services are provided to Indian users by the foreign company, exemption shall be available only if such services are routed through an Indian reseller entity.
- It is also proposed to define the following terms:-
 - Data Centre - A dedicated secure space within a building or centralised location where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data;
 - Data Centre Services - Services provided by a data centre through the use of physical infrastructure including land, buildings, mechanical electrical power equipment's, cooling system, security and information technology infrastructure including servers, computers, storage systems, operating systems, security solutions, network and associated software platforms, networking and other equipment, human resource in India;
 - Specified Data Centre - A data centre which is set up under an approved scheme and is notified in this behalf by the CG in the Ministry of Electronics and Information Technology and is owned and operated by an Indian company;
- Such Foreign Company shall also be notified by the CG;
- To provide clarity on the Transfer pricing front, it is also proposed to extend safe harbour rules to the resident entity providing data centre services to a related foreign company with proposed safe harbour margin of 15% on cost.

Comments

- India continues to be the 'Service Hub' to the World. Accordingly, the above tax holiday has been provided recognizing the need to enable critical infrastructure and promote artificial intelligence data centre framework in India. It also pushes to bolster the country's digital infrastructure and position India as a Global Data Hub.

- Earlier, the use of Indian data-centre infrastructure exposed foreign cloud companies to profit attribution and transfer pricing disputes, with risk of PE creation and taxation of a portion of global revenues in India. The proposed exemption eliminates this exposure, while the Indian reseller requirement for users in India clearly segregates India revenue and the safe-harbour margin provides a defined arm's length return for the data centres. Collectively, these measures provide greater tax certainty and effectively eliminate PE attribution and transfer pricing exposure for global service providers operating through Indian data-centre infrastructure.
- The sunset date of 2047 is aligned with the Government's "Viksit Bharat 2047" vision and provides an unprecedented 21-year period of tax certainty. This long-term stability is expected to incentivize global hyperscalers such as Amazon Web Services, Microsoft Azure and Google Cloud to expand their on-ground infrastructure presence in India, rather than servicing Indian customers from offshore locations.

5.6

Exclusion of transactions with SEZ from ambit of SDT [Sec. 162, 164 & 165 of ITA, 2025] [w.e.f. TY 2026-27]

- In terms of Sec. 164(d), transactions entered into by a unit established in a SEZ (claiming deduction u/s 144) with entities located in the domestic tariff area, were classified as SDT and were consequently subject to the TP compliance requirements.
- It is proposed to amend Sec. 162 (definition of "AEs"), Sec. 164 (definition of "SDT") and Sec. 165 (determination of "ALP") to exclude transactions entered into by eligible SEZ units with companies incorporated outside SEZ from the scope of SDT.

Comments

- The proposed amendment provides significant compliance relief qua SDT to the SEZ companies claiming benefit of exemption u/s 144. Resultantly, SEZ companies will have to undertake TP compliance only with respect to international transactions with AEs.

5.7

Time-limit for passing order by TPO [Sec. 92CA(3AA) of ITA, 1961 & Sec. 166(7) of ITA, 2025]

- Hitherto, Sec. 92CA(3A) provides that where the AO makes a reference to the TPO for determination of ALP, the TPO shall pass an order at least sixty days before the expiry of the limitation period for completion of assessment u/s 153/ 153B of ITA, 1961.
- There has been considerable litigation on the manner in which the sixty-day period is to be computed. Judicial authorities interpreted the expression "before sixty days prior to the date" to mean that the limitation date prescribed u/s 153/ 153B should be excluded while computing the sixty-day period. Consequently, TPO orders passed even one day beyond the computed cut-off were held to be barred by limitation.
- The Finance Bill, 2026 proposes insertion of Sec. 92CA(3AA) to clarify that, for computing the sixty-day period, the date on which the limitation u/s 153/ 153B expires shall be included. A corresponding amendment is also proposed in Sec. 166(7) of ITA, 2025. The said modifications have been tabulated below:

Date of Limitation of passing Assessment Order	Last date of passing order by TPO	
	Under ITA, 1961	Under ITA, 2025
31 st March	- Upto 30 th January (non-leap Year) - Upto 31 st January (leap Year)	Upto 31 st January
31 st December	Upto 1 st November	Upto 31 st October

- The clarification is proposed to come into force retrospectively w.e.f. 01-06-2007 under the ITA, 1961 and prospectively under the ITA, 2025 w.e.f. 01-04-2026.

Comments

- Courts consistently quashed TPO orders where the sixty-day condition was not strictly met, even if the delay was marginal. Hon'ble High Courts in the case of Pfizer Healthcare India (P.) Ltd. -vs.- JCIT [(2021) 320 CTR (Mad HC.) 812], DCIT -vs.- Saint-Gobain India Pvt. Ltd. [(2022) 328 CTR (Mad HC.) 387], etc. have held that where the TPO's order is passed beyond the sixty-day time limit,

it is deemed time-barred and void. These rulings effectively mandated exclusion of the limitation date while computing the statutory period.

- The proposed clarification aims to bring certainty and uniformity in computation of the limitation period for passing TPO orders and to reduce litigation arising from technical interpretation of timelines.
- However, retrospective application of the clarification may impact cases already decided in favour of taxpayers and could give rise to further constitutional challenges. The cases might be reopened and adjudicated afresh on their merits.

5.8

Rationalisation of Advance Pricing Agreements (APAs) Provisions [Sec. 169 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 169(1) did not contain any enabling provisions for filing of return of income/modified return of income by an Associated Enterprise of a person who has entered into an APA with CBDT and claiming refund of any additional taxes paid by it or withheld from its income;
- It is proposed that in case of a modification of income as a result of an APA entered into by a person, apart from such person, Associated Enterprises may also furnish a return or a modified return in accordance with and limited to the APA, within a period of three months from the end of the month in which the said APA was entered into, in respect of tax years covered by such APA;
- Further, in case of IT Companies entering into APAs, it is proposed to fast-track the processes pertaining to unilateral APAs to conclude the same within 2 years, subject to an extension of six months on the request of the taxpayer. Further, the Rules pertaining to the same are proposed to be notified.

Comments

- Pursuant to Secondary Adjustment provisions in terms of Sec. 170 of the ITA, 2025 (Sec. 92CE of ITA, 1961), although differential income was required to be repatriated by the AE in case of any primary adjustments on account of the APA agreed with the applicant, however, in the absence of any provisions with respect to modified return for Associated Enterprise, there were disputes pertaining to the double taxation of such income in the hands of AE as well as the applicant. In the case of Gemological Institute of America Inc. -vs.- Additional Commissioner Of Income Tax (International Taxation) [(2021) 211 TTJ (Mumbai) 521], corresponding reduction of income was allowed to the AE based on the APA agreed with the applicant.
- Accordingly, to bring the tax certainty and avoid double taxation, the provisions of Sec. 169 of the ITA, 2025 is proposed to be amended to enable claiming refund of any additional taxes paid by AE or withheld from income of AE through filing of return/ modified returns by AE

- Further, considering the momentum of IT sector (incl. setting up of Global Capability Centres), large inventory and significant time taken by APA for disposal of unilateral application (average 45

months), changes have been proposed to reduce the timelines for such applications pertaining to IT Sector to 2 years bringing that in line with the global practices (such as US & Singapore).

5.9

Exclusion of specified business of non-residents which are under presumptive taxation from the applicability of MAT [Sec. 206 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 206 excluded certain foreign companies from the applicability of MAT under the existing provisions and also certain non-residents who opt for presumptive taxation. However, certain other businesses who have opted for presumptive taxation u/s 61 have not been so excluded from the applicability of MAT provisions.
- It is proposed to apply similar non-applicability of MAT provisions to the other specified businesses

i.e., business of operation of cruise ships and business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company.

Comments

- The proposed amendment aligns non-applicability of MAT provisions for all the specified business who have opted for presumptive taxation u/s 61.

5.10

Amendments in Chapter XIII-G for giving effect to extension of Tonnage Tax Scheme to inland vessels [Sec. 227, 228, 232 & 235 of ITA, 2025] [w.e.f. TY 2026-27]

- Vide Finance Act, 2025, Tonnage Tax Scheme was extended to inland vessels registered under Inland Vessels Act, 2021 to promote inland water transportation. It is proposed to make following modification in Chapter XIII-G for aligning the said provisions with the Inland Vessels Act, 2021 and rules made thereunder:
- Sec. 227(4) of the ITA, 2025 provides that the tonnage shall mean the tonnage of a ship or inland vessel, as the case may be, indicated in the certificate referred to Sec. 227(9). In order to align with the provisions of Sec. 227(9), it is proposed to substitute the word "certificate" in Sec. 227(4)(a) with " valid certificate";
- The word "certificate" in Sec. 227(9)(b)(iii) is proposed to be substituted with " certificate of registration" as no separate tonnage certificate is issued under the said Act and that the certificate of registration issued thereunder specifies the net tonnage of the vessel.
- Sec. 228(3)(b)(ii)(A) provides that on-board or on-shore activities of passenger ships are included in the core activities of a tonnage company. It is proposed to amend Sec. 228(3)(b)(ii)(a) to bring "inland vessels" also within the purview of core activities of a tonnage tax company;

- Sec. 232(12) provides that a tonnage tax company shall comply with minimum training requirements as per guidelines issued by the Director-General of Shipping and notified by the Central Government. It is proposed to extend this requirement to inland vessels by including reference to training guidelines issued by the Inland Waterways Authority of India, as notified by the Central Government.
- Sec. 232(13) requires a tonnage tax company to furnish a certificate confirming compliance with minimum training requirements along with the return of income. It is proposed to amend the said provision to provide for certification by the appropriate authority in the case of inland vessels.
- Sec. 232(17) provides that the average of net tonnage shall be computed in the prescribed manner in consultation with the Director-General of Shipping. It is proposed to amend the said sub-section to add reference to Inland Waterways Authority of India in respect of inland vessels.
- Sec. 235 is proposed to be amended to insert clause (fa) to define "Inland Waterways Authority of India" for the purposes of Chapter XIII-G.

5.11 Time limit for completion of assessment case involving draft order [Sec. 144C, 153 & 153B of ITA, 1961 and Sec. 275 & 286 of ITA, 2025]

- Hitherto, Sec. 144C of the ITA, 1961 provides a special procedure for assessment [resolution of disputes through DRP] in cases involving eligible assessee, primarily where transfer pricing adjustments are proposed or where the assessee is a non-resident. The AO is required to pass a draft assessment order, followed by a final order in accordance with the timelines prescribed u/s 144C.
- In various judgements of courts, differing interpretations have been made regarding the intent of the legislature. A view has been taken that the entire process of Sec. 144C has to satisfy the overall time limit of Sec. 153/ 153B, even though, clear carve out has been provided by Sec. 144C itself.
- To avoid interpretational issues and prevent litigation, the Finance Bill, 2026 proposes to clarify that time lines in Sec. 153/ 153B govern the draft order stage and the timelines provided in Sec. 144C operate for finalization of assessments, notwithstanding the time limit provided in the said sections. Corresponding amendments have also been proposed in Sec. 275 & 286 of ITA, 2025.
- The clarification is proposed to come into force retrospectively w.e.f. 01-04-2009 in relation to Sec. 153 and w.e.f. 01-10-2009 in relation to Sec. 153B under the ITA, 1961, and prospectively under the ITA, 2025 w.e.f. 01-04-2026.

Comments

- Hon'ble Madras HC in the case of CIT -vs.- Roca Bathroom Products (P.) Ltd [(2022) 140 taxmann.

com 304 (Madras HC)] had held that the time limits prescribed u/s 153 for assessment completion applies to the final assessment order and not just the draft order. Further, Sec. 144C cannot be interpreted in isolation; it must be read in conjunction with the overall limitation prescribed in Sec. 153. Hon'ble Bombay HC in Shelf Drilling Ron Tappmeyer Ltd. -vs.- ACIT [(2023) 153 taxmann.com 162 (Bombay HC)] by relying on the Hon'ble Madras HC decision, upheld the similar view. In SLP filed by the revenue in SLP(C) No. 20569-20572/2023 against the Bombay HC decision, Supreme Court has delivered a split verdict on the issue. The Supreme Court has directed the matter to be referred to the Chief Justice of India for constitution of a larger bench to reconsider the issues afresh.

- The proposed amendment seeks to decisively settle the long-standing controversy on limitation in cases governed by the DRP mechanism.
- From a policy perspective, the amendment aligns with the original legislative intent behind Sec. 144C, which was to create a self-contained dispute resolution framework without disturbing the overall assessment time limits.
- However, the retrospective nature of the clarification may unsettle cases already decided in favour of taxpayers and could itself become a subject of constitutional challenge, with the possibility of reopening matters previously concluded on limitation grounds for adjudication on merits.

5.12 Penalty provision for non-furnishing or furnishing inaccurate information in a statement on transaction of crypto-assets [Sec. 446 of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 509 of the ITA, 2025 provides that a prescribed reporting entity has the obligation to furnish a statement containing information relating to transactions in crypto-assets. Further, such reporting entity also needs to carry out due diligence for the purpose of identification of any crypto-asset user or owner.
- In order to ensure effective compliance to the above, it is proposed to substitute Sec. 446 of the ITA, 2025, to levy a penalty of:
 - ₹200 per day for non-furnishing of statement; and
 - ₹50,000 for furnishing inaccurate particulars, failure to correct such inaccuracy or failure to comply with the due diligence requirements.

5.13 Rationalisation of Safe Harbour Rules

- Hitherto, different safe-harbour margins are prescribed under the existing Safe-Harbour Rules for the IT Services based on nature of activity (such as Software Development, KPO, contract R&D pertaining to Software Development, ITES etc.), monetary threshold and employee cost based parameters.
- It is proposed to rationalize the existing safe-harbour rules by clubbing software development services, information technology enabled services, knowledge process outsourcing services & contract research and development services under the category of 'Information Technology Services', enhance the monetary threshold for applicability of the said provisions, reduce the applicable safe harbour margins and introduction of safe harbour margins for entities providing data centre services as under:

Sl. No	Eligible International Transaction	Present		Proposed	
		Safe Harbour Margin [Operating Margin on Operating Costs]	Eligibility Threshold of International Transaction (in ₹)	Safe Harbour Margin [Operating Margin on Operating Costs]	Eligibility Threshold of International Transaction (in ₹)
1	Software Development services	17%/18% (based on specified conditions)	Up to 300 Crs.	15.50%	Up to 2000 Crs.
2	IT enabled services(ITES)		Up to 300 Crs.		
3	Knowledge Process Outsourcing services(KPO)	18%/21%/24% (based on specified conditions)	Up to 300 Crs.		
4	Contract R&D services relating to software development	24%	Up to 300 Crs.		
5	Provision of data centre services	NA	NA	15%	No Threshold limits
6	Non-residents for component warehousing in a bonded warehouse	NA	NA	2% of the invoice value	No Threshold limits

- The eligible assesseees providing IT Services can apply the common safe harbour margin of 15.5% on operating cost for a period of 5 years.
- All applications to be filed by the eligible assesseees is proposed to be approved by an automated rule-driven process without any need for the Tax Officer to examine and accept the applications.
- The Income Tax Rules are proposed to be notified to give effect to the above.

Comments

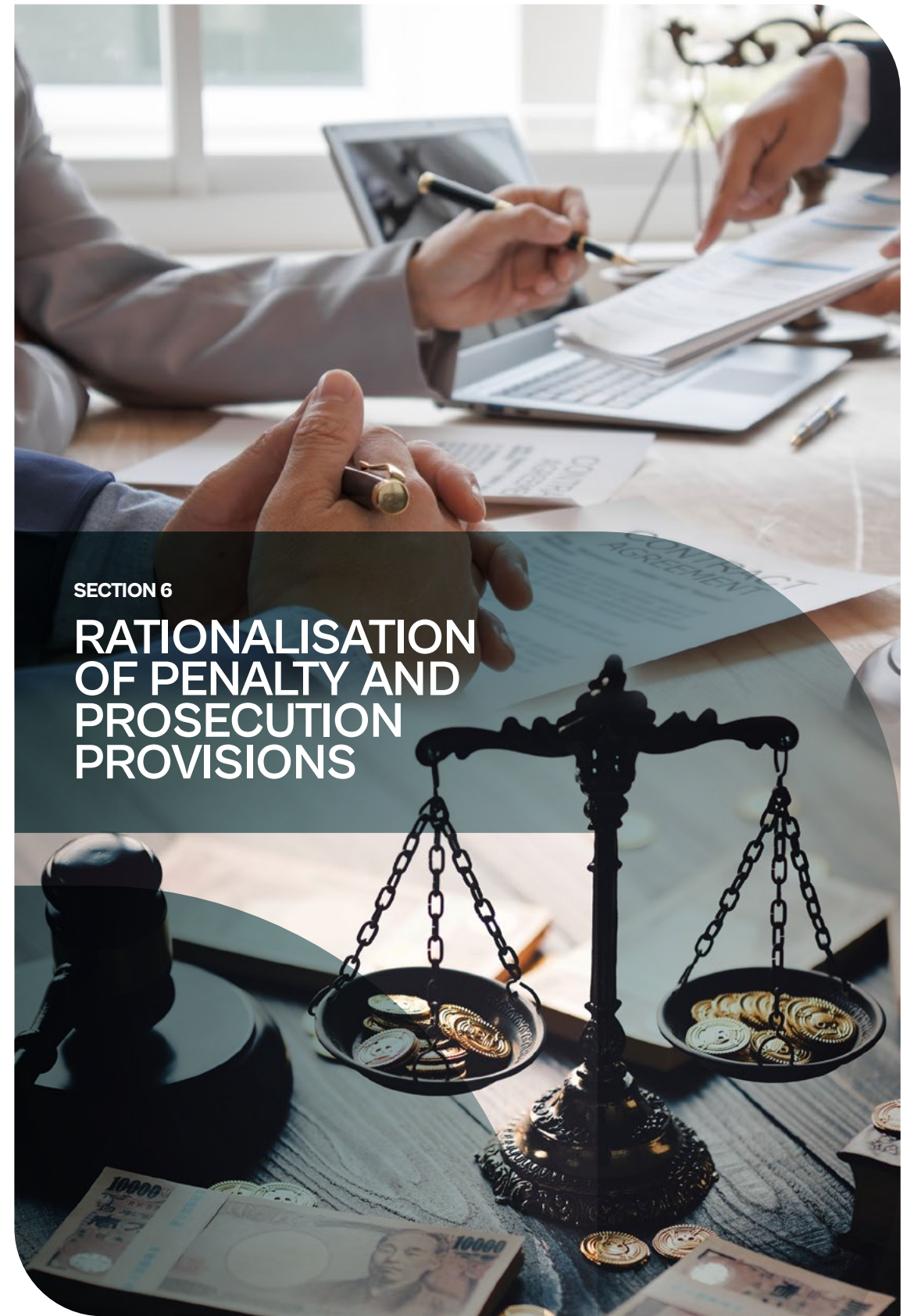
- The above changes have been proposed to address the looming concern of the large proportion of IT companies with respect to (i) applicability of the high safe-harbour margin rates despite decline in the actual profitability of this sector in view of global competition & other factors, (ii) redundant parameters for applicability of margins linked with employee costs as proportion of operating cost; (iii) low monetary threshold for the purpose of eligibility to make safe-harbour application resulting in exclusion of very large proportion of IT companies from its purview.
- In this context, Nasscom had suggested some practical reforms that balances revenue

protection with ease of doing business, which included - i) realigning margins to 14-15 per cent range observed across the IT industry, ii) simplifying the service categories reducing disputes arising from overlaps between IT, ITES, KPO and R&D iii) removing misaligned proxies such as turnover thresholds and employee cost ratios that do not correlate with profitability (iv) enhancing predictability through multi-year elections, digitized compliance and voluntary opt-in mechanisms.

- The proposed changes in Budget with respect to IT services are mostly aligned with the above recommendations with a small aberration with respect to safe-harbour margin.
- Further, in order to promote investment in data centres by foreign companies, amendments

have been proposed in Sec. 11 of the ITA, 2025 r/w Schedule IV wherein subject to prescribed conditions, any income of foreign company by way of procuring data centre services from a specified data centre is proposed to be exempt wherein sales by foreign company to users located in India are made through a reseller company, being an Indian Company. Accordingly, safe-harbour margins have been prescribed to provide greater tax certainty for global service providers operating through Indian data-centre infrastructure.

- Further, to provide tax certainty with respect to attribution of profits to PE/ business connection of non-residents formed through component warehousing in a bonded warehouse, safe-harbour provisions have also been proposed to be extended to such non-residents.



SECTION 6
RATIONALISATION OF PENALTY AND PROSECUTION PROVISIONS

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6.1
Integration of penalty and assessment proceedings by way of common order [Sec. 274, 270AA, 220, 245MA of ITA, 1961] [Sec. 471, 411(3), Sec. 379(2) & 440 of ITA, 2025]

- Hitherto, penalty for under-reporting or misreporting of income leviable u/s 270A of ITA, 1961 is initiated in assessment order, but is imposed at a much later date vide separate order after complying with provisions of Sec. 274 of ITA, 1961 and based on findings in the appellate proceedings as applicable.
- It is proposed to amend Sec. 274 of ITA, 1961 w.e.f. 01-03-2026 to provide that penalty leviable u/s 270A shall be imposed within the assessment/ reassessment order itself, to be passed on or after 01-04-2027, in respect of AY 2026-27 or before.
- Further, it is proposed to amend Sec. 220 of ITA, 1961 w.e.f. 01-03-2026 to provide that interest in respect of demand of penalty levied u/s 270A shall be levied only from the date of order of CIT(A) or ITAT (in case of appeal against DRP orders) as against earlier provisions of levy of interest from expiry of period of 30 days from notice of demand u/s 156.
- Hitherto, DRC constituted u/s 245MA of ITA, 1961 is empowered to reduce or waive any penalty imposable on small and medium taxpayers, who opt for dispute resolution under the said section. Consequential amendment is proposed u/s 245MA(2) of ITA, 1961 w.e.f. 01-03-2026 to empower the DRC to also waive any penalty levied u/s 270A in the specified assessment orders.
- Hitherto, provisions of Sec. 270AA of ITA, 1961 empowers AO to grant immunity from imposition of penalty u/s 270A, subject to fulfilment of certain conditions. Consequential amendment is proposed u/s 270AA of ITA, 1961 w.e.f. 01-03-2026 to empower the AO to also waive any penalty levied u/s 270A in assessment order.
- Similar amendments are also proposed in Sec. 471, 411(3), Sec. 379(2) and 440 of ITA, 2025 corresponding to Sec. 274, 220, 245MA(2) and 270AA of ITA, 1961 respectively from 01-04-2026 and shall be effective from 01-04-2027 in respect of assessment/reassessment orders for TY 2026-27 and onwards.

Comments

- The proposed amendment aims in avoiding multiplicity of proceedings and prolonged uncertainty for the assessee, thereby providing fast-track settlement of disputes, reduced litigation cost and consequent ease of doing business. However, mechanical levy of penalty in the assessment order itself would not only results in higher tax demand but also results in violation of natural justice.

- Further to ease the burden on taxpayers, Hon'ble FM has reduced the prepayment requirement for filing appeals from 20% to 10%, and this will continue to be calculated only on the core tax demand. However, there may be apprehension that because of increased demand, refund due to the assessee may also get adjusted against the penalty demand as only interest has been waived till appeal.
- Presently, assessment proceedings are governed by faceless scheme as laid down in Sec. 144B which requires issuance/passing of show cause,

Income and Loss Determination Proposal (ILDLP), draft order and final assessment order. Further penalty proceedings are governed by Faceless Penalty Scheme 2021 which also requires issuance/passing of SCN, penalty imposition proposal and penalty order. Presently, NaFAC, AU and RU also act as NFPC, PU and PRU respectively, till the date on which they are set up. In view of integration of two orders, it is not clear whether any consequential amendment shall be made for integrating these two schemes and time limitation u/s 153 will be extended.

6.2
Rationalisation of provisions of tax & penalty in case of unexplained income [Sec. 195(1), 439(11) & 443 of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 195(1) provides that where total income of an assessee includes any income referred to in Sec. 102 to 106, which inter-alia, includes income on account of ITA, 2025, unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc, the income-tax on such income shall be levied @60%.
- It is proposed to amend Sec. 195 of ITA, 2025 so as to reduce the rate of income-tax as referred to in Sec. 102 to 106 from 60% to 30%.
- Further, such income was liable to penalty u/s 443 of ITA, 2025 @ 10% of the tax payable on such income.
- Sec. 443 is proposed to be omitted and new clause (g) is proposed to be inserted in Sec. 439(11) so as to levy penalty on such unexplained income as misreporting of income, consequently

levying penalty @ 200% of the tax payable on such income.

Comments

- The proposed amendment reflects a shift in approach from a high-tax-low-penalty regime to a lower-tax-high-penalty framework, with the objective of strengthening deterrence against concealment and misreporting of such income.
- Hitherto, income covered by Sec. 102 to 106 was taxable @ 78% (Tax @ 60%, Surcharge @ 25%, Health & Education Cess @ 4%), and penalty u/s 443 @ 10% of the tax payable. Accordingly, the effective tax burden was 84% of the income.
- Under the proposed regime, such income shall be taxable @ 39% (Tax @ 30%, Surcharge @ 25%, Health & Education Cess @ 4%), and penalty u/s 439(11) @ 200% of the tax payable. Accordingly, the effective tax burden shall increase to 117% of the income.

6.3
Expanding scope of immunity from penalty or prosecution to misreporting & unexplained income [Sec. 440 of ITA, 2025] [w.e.f. 01-04-2026]

- Hitherto, Sec. 440 of ITA, 2025, inter-alia, empowers AO to grant immunity from the imposition of penalty or initiation of prosecution in cases of under-reporting, upon an application made by the assessee within one month from the end of the month in which said assessment order has been received. Further no immunity can be

granted if penalty proceedings are initiated u/s 439(11) i.e. where under-reported income is in consequence of any misreporting of income.

- Further, no immunity from penalty was available where total income of an assessee includes any income referred to in Sec. 102 to 106, i.e.

unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc.

- It is proposed to amend Sec. 440 to extend immunity to cases where under-reporting of income has been made in consequence of misreporting, subject to a condition that the assessee pays additional income tax, in lieu of penalty @100% of the amount of tax payable on under-reported income.

- It is also proposed to extend immunity to cases where total income of an assessee includes any unexplained income referred to in Sec. 102 to 106, subject to a condition that the assessee pays additional income tax, in lieu of penalty, @ 120% of the amount of tax payable on such income.

Comments

- The proposed amendment is in line with the broad objective of reducing litigation and increasing compliance by allowing assessee to close the dispute immediately after assessment by paying a lower penalty.

6.4

Fee to be levied instead of penalty for failure to furnish Tax Audit Report [Sec. 428(c) & 446 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, AO has a discretion to impose penalty u/s 446 of ITA, 2025 @ 0.5% of total sales, turnover or gross receipts of business or profession or ₹1,50,000 whichever is lower, for failure to furnish the tax audit report as mandated u/s 63.
- It is proposed to insert clause(c) to Sec. 428 in ITA, 2025 to levy following fee in case of above default:
 - ₹75,000 for a delay up to one month
 - ₹1,50,000 for delay beyond one month

- Consequently penalty for above default as leviable u/s 446 of ITA, 2025 is proposed to be omitted.

Comments

- The proposed amendment will reduce litigation due to technical faults by eliminating AO's discretion and adjudication of whether assessee has a reasonable cause for said failure so as to grant immunity from penalty u/s 470.
- Earlier also penalty u/s 271F of ITA, 1961 for failure to furnish ROI was replaced with mandatory fee u/s 234F w.e.f. 01-04-2018.

6.5

Fee to be levied instead of penalty for failure to furnish Transfer Pricing Audit Report [Sec. 428(d) & 447 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, AO has a discretion to impose penalty u/s 447 of ITA, 2025 of ₹1,00,000 for failure to furnish report of Transfer Pricing Audit as required u/s 172.
- It is proposed to insert clause(d) to Sec. 428 of ITA, 2025 to levy following fee in case of above default:
 - ₹50,000 for a delay up to one month
 - ₹1,00,000 for delay beyond one month

- Consequently penalty for above default as leviable u/s 447 of ITA, 2025 is proposed to be omitted and simultaneously Sec. 470 is proposed to be amended by removing reference of Sec. 447 therein.

Comments

- The proposed amendment will reduce litigation due to technical faults by eliminating AO's discretion and adjudication of whether assessee has a reasonable cause for said failure so as to grant immunity from penalty u/s 470.



6.6

Rationalisation of penalty for failure to furnish statement of Specified Financial Transactions into fee [Sec. 427(3) & 454 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, AO has a discretion to impose penalty u/s 454(1) of ITA, 2025 of ₹500 per day of default for failure to furnish statement of Specified Financial Transactions or Reportable Account within the time prescribed u/s 508(2).
- It is proposed to insert sub-section (3) to Sec. 427 of ITA, 2025 to levy a fee of ₹200 per day of above default subject to cap of ₹1,00,000. Consequently, penalty provisions u/s 454(1) is proposed to be omitted.

- Simultaneously, penalty of ₹1,000 per day of default in furnishing statement of Specified Financial Transactions within the period specified in notice u/s 508(7) as leviable u/s 454(2) of ITA, 2025 is proposed to be capped to a sum of ₹1,00,000.

Comments

- The proposed amendment will reduce litigation due to technical faults by eliminating AO's discretion and adjudication of whether assessee has a reasonable cause for said failure so as to grant immunity from penalty u/s 470.

6.7

Penalty for non-furnishing of information [Sec. 466 of ITA, 2025] [w.e.f. 01-04-2026]

- Hitherto, IT Authorities has power to collect information from any premises where business or profession is carried out by an assessee u/s 254. In case of non-compliance by any person including employee, the Joint Commissioner, Deputy Director or Assistant Director or the AO may impose penalty u/s 466 of ITA, 2025 upto ₹1,000.

- It is proposed to increase the maximum amount of penalty from the existing ₹1,000 to ₹25,000.

Comments

- The proposed amendment to increase the maximum amount of penalty is expected to promote voluntary compliance and ensure that penalties are proportionate so as to create adequate deterrence.

6.8 Allowing filing of updated return pursuant to notice u/s 148 with increased additional tax and consequent non-levy of penalty on income offered in such return [Sec. 139(8A), 140B(3A) & 270A(11A) of ITA, 1961] [Sec. 263(6), Sec. 267(5) & 439(13A) of ITA, 2025]

- Hitherto, in view of clause (b) of 3rd proviso to Sec. 139(8A) of ITA, 1961, updated return cannot be filed where any proceeding for assessment or reassessment is pending i.e. where notice u/s 148 has been issued. Further, Sec. 140B(3) provides quantum of additional income tax payable at the time of filing updated return ranging from 25% to 70% of aggregate tax and interest depending on the time in which it is filed.
- It is proposed to amend above clause (b) of 3rd proviso and simultaneously insert 8th proviso to Sec. 139(8A) w.e.f. 01-03-2026 to allow filing of updated return in pursuance to a notice u/s 148 within the time specified in the notice.
- Simultaneously, it is proposed to insert sub-section (3A) to Sec. 140B of ITA, 1961 w.e.f. 01-03-2026 to provide that where an updated return is filed in pursuance of a notice issued u/s 148 within the period specified in the said notice, the additional income-tax payable u/s 140B(3) shall be increased by a further sum of 10 % of the aggregate of tax and interest payable.
- Further it is also proposed to insert sub-section (11A) to Sec. 270A of ITA, 1961 w.e.f. 01-03-2026 to provide that where additional income tax as further increased by 10% is paid u/s 140B(3A), the income on which such additional income tax is paid shall not be considered for imposition of penalty u/s 270A.
- Similar amendments are also proposed in Sec. 263(6), 267(5) and 439(13A) of ITA, 2025 corresponding to Sec. 139(8A), 140B(3A) and 270A(11A) of ITA, 1961 respectively from 01-04-2026 for TY 2026-27 and onwards.

Comments

- The proposed amendment seeks to encourage voluntary disclosure of escaped income in proceedings u/s 147 of ITA, 1961 (corresponding Sec. 279 of ITA, 2025) by providing immunity from penalty with levy of additional 10% tax, thereby reducing prolonged litigations.

6.9 Rationalisation of provisions relating to prosecution proceedings [Sec. 473 to Sec. 485 & Sec. 494 of ITA, 2025 & Sec. 275A to Sec. 278A & Sec. 280 of ITA, 1961]

- With the objective of ensuring that the punishment prescribed for offences is proportionate to the nature and gravity of the crimes committed, it is proposed to amend Sec. 473 to 485 & 494 of ITA, 2025 (Sec. 275A to 278A & 280 of ITA, 1961) as under:

Section	Nature of Offence	Existing Provisions	Proposed Provisions
473 (Sec. 275A)	Contravention of any order passed during the search and seizure proceedings, wherein the authorised officer restricts the removal or part with any valuable article or dealing with books, documents that cannot be practically taken into physical possession.	Rigorous imprisonment up to 2 years + fine	Simple imprisonment up to 2 years + fine
474 (Sec. 275B)	Any person who fails to provide the authorised officer the necessary facility to inspect books of accounts or documents during search proceedings		Simple imprisonment up to 6 months and/or fine
475 (Sec. 276)	Any person who fraudulently removes, conceals, transfer or delivers any property or any interest therein to another person, with the intent to prevent such property or interest from being taken in execution of a certificate for tax recovery		Simple imprisonment up to 2 years + fine

Section	Nature of Offence	Existing Provisions	Proposed Provisions
476(1)(b) (Sec. 276B)	Failure to pay tax or ensure payment of tax in case of: (a) Winnings from any lottery, crossword puzzles, card games and other game of any sort, gambling or betting of any form or nature whatsoever. (b) any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession of any resident. (c) Any income by way of winnings from online games (d) Any sum by way of consideration for transfer of a virtual digital assets	Rigorous imprisonment of not less than 3 months which may extend to 7 years + fine	No prosecution proceedings (a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only No prosecution proceedings if consideration/winning is in kind.
477 (Sec. 276BB)	Any person who fails to pay the tax collected by him, to the credit of Central Government	Rigorous imprisonment of not less than 3 months which may extend to 7 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
478(1) (Sec. 276C(1))	Any person who wilfully attempts in any manner whatsoever to evade any tax, penalty or interest chargeable or imposable, or under-reports his income	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
478(2) (Sec. 276C(2))	Any person who wilfully attempts in any manner to evade the payment of any tax, penalty or interest	Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	
479 (Sec. 276CC)	Any person who wilfully fails to furnish in due time the return of income, which is required to be furnished u/s 263(1), or by notices u/s 268(1) or 280 of ITA, 2025 (Issue of notice where income has escaped assessment)	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	
480 (Sec. 276CCC)	Any person who wilfully fails to furnish in due time the return of total income which is required to be furnished in search cases by notice u/s 294(1)(a) of ITA, 2025	Imprisonment of not less than 3 months, which may extend to 3 years + fine	

Section	Nature of Offence	Existing Provisions	Proposed Provisions
481 (Sec. 276D)	Any person who wilfully fails to produce, or cause to be produced, the accounts and documents as are referred to in the notice served on him u/s 268(1) of ITA, 2025 on or before the date specified in such notice, or wilfully fails to comply with a direction issued to him u/s 268(5) of ITA, 2025	Rigorous imprisonment up to 1 year + fine	For accounts and documents as referred in Sec. 268(1) - No prosecution For Special Audit/valuation u/s 268(5) - Simple imprisonment up to 6 months or fine or both
482 (Sec. 277)	Any person who makes a statement in any verification or delivers an account or statement, which is false, and which he either knows or believes to be false, or does not believe to be true	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
483 (Sec. 277A)	Any person who (herein referred to as the first person) wilfully and with intent to enable any other person (herein referred to as the second person) to evade any tax or interest or penalty chargeable and imposable, makes or causes to be made any entry or statement which is false and which the first person either knows to be false or does not believe to be true, in any books of account or other document relevant to or useful in any proceedings against the first person or the second person	Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	Simple imprisonment up to 2 years + fine
484 (Sec. 278)	Any person who abets or induces another person, in any manner, to make and deliver an account or a statement or declaration relating to any income chargeable to tax, which is false and which he either knows to be false or does not believe to be true or to commit an offence u/s 478(1) of ITA, 2025	(a) More than ₹25 lacs: Rigorous imprisonment of not less than 6 months, which may extend to 7 years+ fine (b) Any other Case: Rigorous imprisonment of not less than 3 months, which may extend to 2 years + fine	(a) More than ₹50 lacs: Simple imprisonment up to 2 years or fine or both (b) More than ₹10 lacs but upto ₹50 lacs: Simple imprisonment up to 6 months or fine or both (c) Any other case: Fine only
485 (Sec. 278A)	Any person who was convicted of an offence u/s 476, 477, 478(1), 479, 480, 482 or 484 of ITA, 2025 is again convicted of an offence under any of the said sections (second & subsequent offences)	Rigorous imprisonment of not less than 6 months, which may extend to 7 years + fine	Simple imprisonment of not less than 6 months, which may extend to 3 years + fine
494(1) (Sec. 280(1))	A public servant, who furnishes any information or produces any document in contravention of the provisions of Sec. 258(3) of ITA, 2025 (disclosure of information relating to assessee)	Imprisonment up to 6 months + fine	Simple imprisonment up to 1 month or fine or both

The amendments in the aforesaid provisions in ITA, 1961 & ITA, 2025 shall be applicable from 01-03-2026 & 01-04-2026 respectively.

6.10
Relaxation of prosecution provisions under the Black Money Act, 2015 [Sec. 49 & Sec. 50 of Black Money Act, 2015] [w.r.e.f. 01-10-2024]

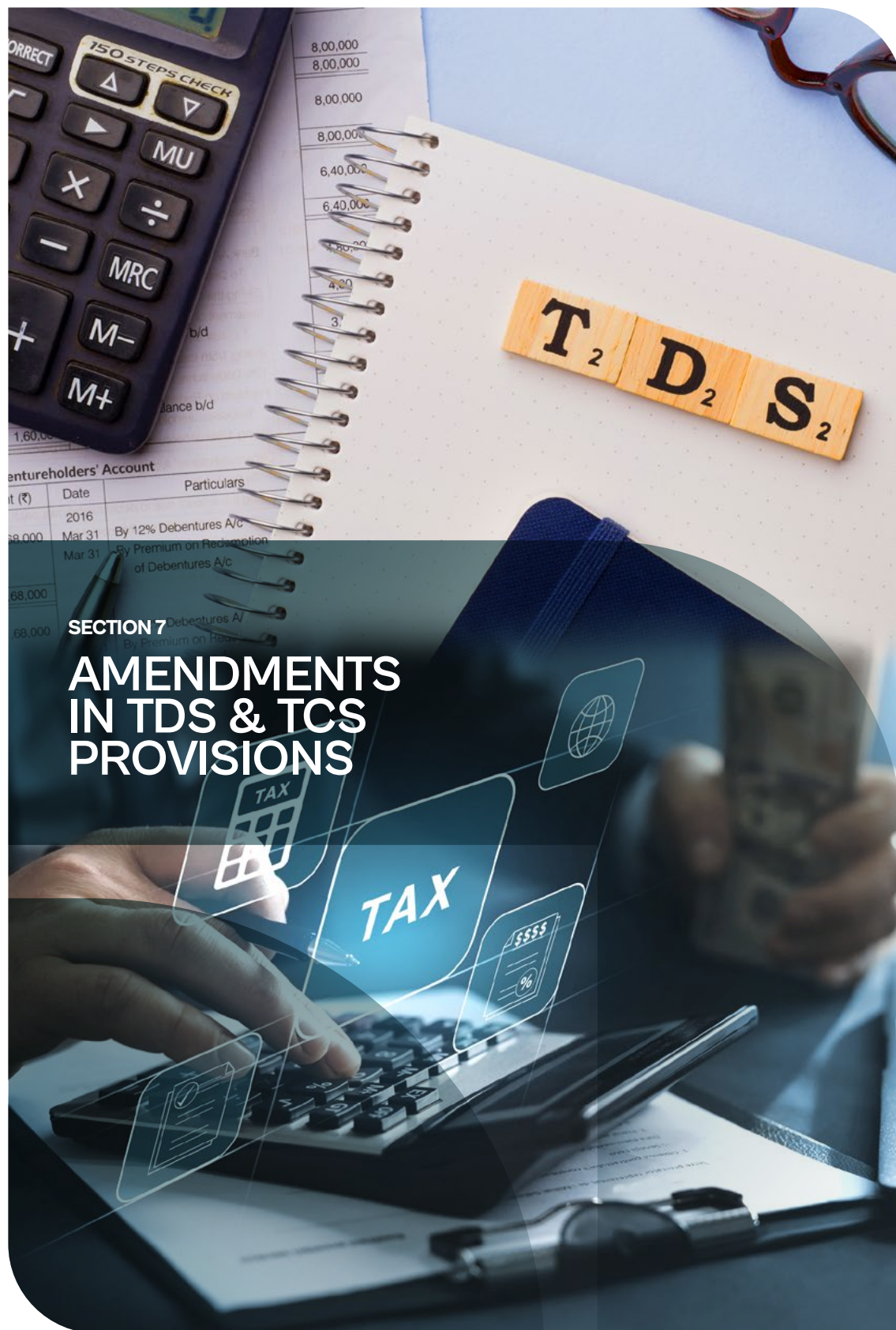
- Hitherto, Sec. 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ("Black Money Act, 2015") provide for prosecution being rigorous imprisonment for a term of 6 months to 7 years along with fine, in cases where a person, being a resident other than not ordinarily resident, wilfully fails to furnish the ROI u/s 139(1) of ITA, 1961 or wilfully omits to disclose foreign assets or income in the ROI.
- It is proposed to insert 2nd proviso to Sec. 49 and 1st Proviso to Sec. 50 to provide that the said sections shall not apply in respect of foreign asset(s), other than immovable property, where the aggregate value of such asset(s) does not exceed ₹20 lacs.
- Earlier in Finance (No. 2) Act, 2024, the threshold for exemption from penalty u/s 42 (failure to furnish the ROI in respect of foreign income or assets) and 43 (failure to disclose foreign income or assets in the ROI) of the Black Money Act has been expanded to cover any foreign asset (other than immovable property) with an aggregate value not exceeding ₹20 lacs during the relevant previous year w.e.f. 01-10-2024.
- Further, the CBDT, vide Instruction No. F. No. 285/46/2021-IT (Inv.V)/88 dated 18-08-2025, clarified that prosecution proceedings u/s 49 and 50 of the Black Money Act shall not be initiated where penalty u/s 42 and/or 43 is not imposed or imposable in respect of assets covered by the said proviso.

Comments

- The amendment has been introduced to reduce the harsh impact of criminal prosecution under the Black Money Act in cases where small-value foreign assets were not disclosed by mistake or otherwise.

- Therefore, the above proposed amendment brings prosecution provisions in line with the monetary threshold specified in Sec. 42 and 43 of the Black Money Act.





SECTION 7
**AMENDMENTS
IN TDS & TCS
PROVISIONS**

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7.1

Enabling filing of declaration for non-deduction of TDS to a depository [Sec. 393(6) & 393(7) of ITA, 2025] [w.e.f. 01-04-2027]

- As per Sec. 393(6) of the ITA, 2025, an individual resident is required to furnish separate declarations for non-deduction of TDS to each person responsible for paying, inter-alia, income from units of a mutual fund, interest income from securities and dividends stating that the tax arising on his/her estimated total income of the tax year in which such income or sum is to be included in computing his/her total income is Nil.
 - Further, as per Sec. 393(7), the person responsible for paying any aforesaid income shall furnish the declaration to PCCIT/CCIT/PCIT/CIT on or before 7th day of the month immediately succeeding the month in which the declaration is filed by the individual resident.
 - It is proposed to amend Sec. 393(6) to provide that the individual resident may furnish the declaration electronically to a depository for non-deduction of TDS in respect of the aforesaid incomes, where the units and securities are held with such depository and securities are listed in stock exchange. Such depository, in turn shall report such declarations to the concerned payer of specified incomes.
 - Further, Sec. 393(7) is proposed to be amended to provide that the declaration received shall be furnished to the prescribed Income Tax Authority and not to PCCIT/CCIT/PCIT/CIT. The time limit for furnishing the declaration by the payer to Income Tax Authority has been enhanced from monthly to quarterly basis.
- Comments**
- Furnishing of declaration for non-deduction of TDS only to the depository and not to different entities would simplify the cumbersome and complex compliance procedure for individual resident investors and enable them to avail the benefit through a single filing with the depository.
 - The proposed amendment in Sec. 393(7) will make the compliance easier for the deductor, as the declaration received from single source, i.e. depository will now have to be furnished on quarterly basis.
 - With respect to other income (say interest income from bank), separate declaration in prescribed form to the payer (say bank) as presently filed would continue.

7.2
Easement of compliance for small taxpayers in obtaining lower or NIL withholding tax certificate [Sec. 395(6) of ITA, 2025] [w.e.f. 01-04-2026]

- Hitherto, an assessee is required to make an application before the AO for obtaining lower or nil withholding tax certificate.
- It is proposed to provide an option to small tax payers to file an application electronically for obtaining lower or nil withholding tax certificate before prescribed income tax authority who may issue such certificate subject to fulfilment of prescribed conditions.

Comments

- The prescribed income tax authority and prescribed conditions is yet to be defined.
- The proposed amendment aims to simplify and digitise the process of obtaining lower or nil TDS/ TCS certificates by enabling electronic filing before the prescribed authority. This reduces physical interface with tax officers, ensures faster processing, and lowers compliance costs, particularly for small taxpayers.

7.3
Relaxation to resident Individual/HUF from obtaining TAN where the seller of the immovable property is a non-resident. [Sec. 397(1)(c) of ITA, 2025] [w.e.f. 01-10-2026]

- Hitherto, both under the ITA, 1961 & ITA, 2025, if a resident individual or an HUF purchases an immovable property from a non-resident seller, the said individual or HUF is required to obtain TAN for depositing TDS.
- It is proposed to amend Sec. 397(1)(c) of ITA, 2025 to provide that if a resident individual or an HUF purchases an immovable property from a non-

resident seller, the said individual or HUF is not required to obtain TAN for depositing TDS.

Comments

- The proposed amendment aligns with the benefit given to resident individual or an HUF if it purchases immovable property from a resident seller.

7.4
Scope of definition of 'work' expanded to include 'supply of manpower' for TDS provisions [Sec. 402(47) & 393(1) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 393(1) of the ITA, 2025, inter-alia, provides for rates of TDS on payment to contractor (Sl. No. 6(i) of the Table) @ 1% / 2% and rates of TDS in respect of fee for technical and professional services. (Sl. No. 6(iii) of the Table) @ 2% / 10%.
- Sec. 402(47) of the ITA, 2025 defines the term "work" to include activities such as advertising, broadcasting and telecasting, carriage of goods or passengers by any mode of transport other than by railways, catering, and job work involving manufacture or supply of products using materials supplied by the customer or its associate, subject to specified exclusions. However, the definition did not expressly include supply of manpower, resulting in ambiguity regarding the applicability of TDS on such payments.
- Accordingly, it is proposed to enlarge the definition of "work" u/s 402(47) to include within its scope

"supply of manpower to a person to work under his supervision, control or direction."

- Consequently, payments made for supply of manpower shall be treated as payments to contractor's u/s 393(1) and not as fees paid for professional or technical services.

Comments

- The proposed amendment seeks to affirm the views taken in various rulings wherein it was observed that contracts involving labour and human effort fall within the scope of "work" and deployment of manpower for execution of work constitute a works contract liable for deduction of TDS as contractors - Refer Associated Cement Co. Ltd -vs.- CIT [(1993) 201 ITR 435 (SC)], DCIT -vs.- Dalmia Cement (Bharat) Ltd. [(2016) 70 taxmann.com 221 (Vishakapatnam Trib.)] and Lalitpur Power Generation Co. Ltd -vs.- ACIT (TDS) [ITA No. 2922 /Del/2016 dated 20-02-2018].

7.5
Aligning provisions of TDS on interest income for co-operative banks and land mortgage banks [Sec. 393(4) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 393(4) of the ITA, 2025 specifies the conditions where tax is not required to be deducted at source with respect to interest income (other than interest on securities referred to in Sec. 393(1)) received by Banking Company.
- As per the provision of Sec. 194A(3) of the ITA, 1961, such exemption from deduction of TDS was available to interest income (other than interest on securities) received by banking company and co-

operative society engaged in business of banking including a co-operative land mortgage bank.

- In order to align with the above provisions of ITA, 1961, it is proposed to amend Sec. 393(4) to provide that no tax shall be deducted at source on interest income (other than interest on securities) credited or paid to co-operative society engaged in business of banking including a co-operative land mortgage bank.

7.6
Rationalisation of rates of Tax Collected at Source [Sec. 394(1) of ITA, 2025] [w.e.f. 01-04-2026]

- It is proposed to amend the various TCS rates as provided u/s 394(1) of ITA, 2025 as under:

Sl. No.	Nature of Transaction	Existing 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, being coal or lignite or iron ore	1%	2%
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ₹10 lacs	(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.
6	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	(a) 5% of amount or aggregate of amounts up to ₹10 Lacs; (b) 20% of amount or aggregate of amounts exceeding ₹10 Lacs.	2%

Comments

- The proposed amendment aims to replace various TCS rates into a uniform rate of 2% in all cases thereby bringing simplification, except in case of sale of motor vehicles (1%) or foreign remittance for purposes other than education or medical treatment (20%).
- However, increasing TCS on alcoholic liquor, scrap and specified minerals from 1% to 2% will have

a cash-flow impact in sectors that are already heavily taxed and/or regulated.

- On the other hand, by reducing TCS rate from 20% to 2% in case of overseas tour package, it provides much needed relief by reducing upfront costs and encourages foreign travel.
- However, full exemption has not been provided in respect of TCS on remittance out of education loan borrowings, as was earlier available u/s 206C(1G) of ITA, 1961.



**SECTION 8
OTHERS**

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8.1
**Rationalisation of taxation of buy-back of shares
 [Sec. 69 of ITA, 2025] [w.e.f. TY 2026-27]**

- Presently, as per Sec. 2(40)(f) of the ITA, 2025, any payment made by a company to a shareholder on the purchase of its own shares in accordance with Sec. 68 of the Companies Act, 2013 is treated as dividend income in the hands of the shareholder and is taxable under the head "Income from Other Sources".
- Further, as per the provisions of Sec. 69 of the ITA, 2025, the cost of acquisition of the shares extinguished on account of such buy-back was recognised separately as capital loss in the hands of the shareholder.
- It is proposed to omit clause (f) of Sec. 2(40), thereby discontinuing the treatment of buy-back consideration as deemed dividend. Consequently, the consideration received by a shareholder on buy-back of shares shall be taxable under the head "Capital Gains" in accordance with Sec. 69.
- Recognising the distinct position and influence of promoters in corporate decision-making, particularly with respect to buy-back transactions, it is further proposed to substitute sub-section (2) of Sec. 69 to provide for an additional tax in the case of promoters. In case of promoters other than domestic companies, effective tax liability shall be 30% whereas for promoter domestic companies effective tax liability would be 22%.
- For the purpose of Sec. 69, it is also proposed to substitute sub-section (3) to define "promoter" as follows:
 - (a) for listed companies – meaning as assigned in regulation 2(k) of SEBI (buy-back of securities) Regulations, 2018
 - (b) in any other case – meaning as defined in Sec. 2(69) of the Companies Act, 2013 or a person holding directly or indirectly more than 10% of shareholding in the company.

Comments

- The amendment will enable shareholders to pay taxes only on capital gains instead of total consideration received. Under the earlier regime, even though the cost of acquisition was treated as a capital loss, small shareholders were often unable to effectively utilise such losses.

to insert Sec. 147A of ITA, 1961 w.r.e.f. 01-04-2021 to provide that notwithstanding anything contained in any judgment, order or decree of court or in Sec. 151A or in any scheme framed thereunder, the AO for the purposes of Sec. 148 and Sec. 148A shall mean and shall always be deemed to have meant Jurisdictional AO.

- Similar amendment is also proposed under ITA, 2025 by inserting new Sec. 279(3) w.e.f. 01-04-2026 to provide that the "AO" for the purposes of Sec. 280 and 281 [corresponding to Sec. 148 of ITA, 1961 & 148A of ITA, 1961 respectively] shall mean to be an AO other than NaFAC or any of its assessment units.

Comments

- Through this amendment, the legislature has clarified its intent by unequivocally conferring the authority to carry out entire reassessment proceedings i.e. issuance of notices & conducting of enquiries, upon the Jurisdictional AO alone.
- The retrospective nature of the amendment under ITA, 1961 seeks to settle thousands of disputes

challenging reassessment only for issuance of notice by Jurisdictional AO. Incidentally, Hon'ble SC had initially dismissed the SLP filed by the Revenue in ADIT(IT) -vs.- Deepanjan Roy [SLP (Civil) No. 33956/2025]. However, subsequently Hon'ble SC admitted Revenue's application and tagged the matter along with batch of nearly 1,000 cases including Hexaware Technologies (supra), which are presently pending before Hon'ble SC. The proposed amendment would have a significant bearing on the outcome of these matters.

- Such retrospective amendments have been introduced despite the assurances given by the government in past years that no fresh tax liability would be created by way of retrospective amendment. Further, the above amendment is likely to raise significant questions regarding the extent to which parliament can neutralise judicial interpretation of statutory provisions and decision of various court and may therefore be subject to challenge on grounds of constitutional validity.

8.3
**An assessment order to remain valid even if there is an error or omission in the DIN provided the order is linked to or refers to a DIN in any manner.
 [Sec. 292BA of ITA, 1961] [w.r.e.f. 01-10-2019] & [Sec. 522 of ITA, 2025] [w.e.f. 01-04-2026]**

- In order to bring greater transparency in functioning of the tax department, CBDT vide its Circular No. 19/2019 dated 14-08-2019 has mandated quoting of computer generated DIN in any communication, inter alia, on assessment order issued on or after 01-10-2019. While the said circular mentioned that DIN must be quoted in body of the communication, the exact format/manner was not given.
- There have been several instances where the AO has passed the assessment order either without quoting DIN in the order or on every page of the order or has passed a manual order without following the due procedures in the exceptional cases as mentioned in the above circular. Thus, validity of such orders were challenged before the Courts. In this regard, several HCs have interpreted that assessment order becomes invalid merely on technical grounds despite

lawfully generation and quoting of DIN in the communication accompanying the order.

- Such interpretation of the Courts, in essence, is against the existing provisions of Sec. 292B of the ITA, 1961 which protects validity of any notice/order/summon proceedings etc. from any mere technical defect if the same is in substance in accordance with the purpose of the Act.
- In order to annul the above interpretation, it is proposed to insert a new Sec. 292BA of ITA, 1961 clarifying that an assessment shall be deemed to be valid if the order is referenced by DIN in any manner. Further, reference of DIN in the assessment order, would be sufficient compliance even if there is some minor mistake, defects or omission in notices or summon in relation to such assessment.

8.2
Clarification regarding jurisdiction to issue notice w.r.t reassessment proceedings [Sec. 147A of ITA, 1961] [w.r.e.f. 01-04-2021] & [Sec. 279 of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 151A of ITA, 1961 empowers CG to make a scheme for reassessment proceedings including issuance of notice u/s 148 through automated allocation in a faceless manner. For this purpose, CG notified a Scheme vide Notification No. 18/2022 dated 29-03-2022 as "e-Assessment of Income Escaping Assessment Scheme, 2022", wherein it has been stated that notice u/s 148 is to be issued in a faceless manner.
- Under the existing framework, reassessment proceedings commences with a notice u/s 148A enabling the AO to conduct enquiries to determine whether the case is fit for issuance of notice u/s 148. Such notice u/s 148 is required to be preceded by a reasoned order passed u/s 148A(d). Upon issuance of the notice u/s 148, the case is transferred to the NaFAC for completion of faceless assessment u/s 144B.
- However, notices u/s 148 are continued to be issued by Jurisdictional AO, whose jurisdictional validity had been challenged before various High Courts. The issue was examined in details by Hon'ble Bombay High Court in Hexaware Technologies Ltd. -vs.- ACIT [(2024) 464 ITR 430 (Bom)] wherein it quashed the notice u/s 148 for being issued by Jurisdictional AO instead of NaFAC thereby not in accordance with Scheme prescribed u/s 151A. Divergent views have been expressed by different High Courts in the country on this issue and matter is pending before SC.
- In order to bring certainty and put an end to the ongoing litigation relating to jurisdiction for issuance of reassessment notices, it is proposed

- The said clarification is proposed w.r.e.f. 01-10-2019. To align with ITA, 1961, similar amendment has also been proposed in Sec. 522 of the ITA, 2025 w.e.f. 01-04-2026.

Comments

- The proposed amendment seeks to nullify the decisions of CIT -vs.- Brandix Mauritius Holding Limited [(2023) 293 Taxman 385 (Del)] and PCIT -vs.- Tata Medical Centre Trust [(2023) 459 ITR 155 (Cal)] wherein, Courts have held the assessment order as invalid due to non-quoting of DIN in the

order itself despite the fact that DIN was lawfully generated and referred through accompanying order.

- The proposed amendment is to protect the cases of assessment order only where DIN has been lawfully generated and referred in any manner including letter accompanying the order or by a subsequent intimation letter with DIN referring to the issued assessment order. However, cases where DIN was never generated at all, will still remain outside the purview of this amendment.

8.4

Extending the date of depositing Employee's Contribution to PF, Superannuation Fund, etc. by the employer beyond due date prescribed under the respective statute [Sec. 29(1)(e) of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 36(1)(va) of ITA, 1961 provides for deduction of any sum received by an assessee from its employees in respect of contribution to provident fund or superannuation fund or any other welfare fund, if such sum is credited to the employee's account on or before the 'due date'.
- As per Expl. 1 to Sec. 36(1)(va) of ITA, 1961, 'due date' is the date by which the assessee as an employer is required to deposit employee's contribution in the relevant fund.
- Expl. 2 to Sec. 36(1)(va) of ITA, 1961, provides that the provisions of Sec. 43B shall not apply for the purpose of determining the 'due date'.
- Similar provisions are inserted in Sec. 29(1)(e) of the ITA, 2025.
- It is proposed to amend Sec. 29(1)(e) of the ITA, 2025 to provide that if the employee's contribution to the welfare funds is deposited by the employer within the due date of filing the ROI, then the employer will be eligible to claim deduction of the same.

Comments

- There has been numerous disputes whether employee's contribution to the welfare funds

deposited beyond the due date mentioned under the respective labour laws but before the due date of filing ROI u/s 139(1) as specified in Sec. 43B is allowable as deduction or not. Divergent rulings have been rendered by various Courts.

- To settle the dispute, Finance Act, 2021 introduced Expl. 2 to Sec. 36(1)(va) of ITA, 1961 to provide that employee's contribution to welfare funds shall be deposited by the employer within the 'due date' of deposit as mentioned in the Acts & Rules of the relevant fund.
- In Checkmate Services Pvt. Ltd. & Ors. -vs.- CIT [(2022) 448 ITR 518 (SC)], the Hon'ble SC held that employees' contributions are governed strictly by Sec. 36(1)(va) and are not eligible for deduction if deposited beyond the due date prescribed under the respective welfare laws, even if paid before filing the return.
- The above amendment is proposed to provide significant relief to the assessee.
- Since the amendment is proposed from TY 2026-27 onwards, dispute is likely to arise for its retrospective application.

8.5

Rationalisation of due date for filing of return of income [Sec. 263(1) of ITA, 2025] [w.e.f. 01-04-2026] [Sec. 139(1) of ITA, 1961] [w.e.f. 01-03-2026 for AY 2026-27]

- Presently, due date of filing return of income is 31st July for assessee whose accounts are not required to be audited under any law or filing of TP report is not applicable. It is same for partners of a firm whose accounts are not required to be audited. For others, it is 31st October (where TP report not applicable) or 30th November (where TP report is applicable).
- In case of persons having small business or profession, although there is no requirement of audit, but they are necessarily required to prepare their books of accounts for determining taxable income. Hence, for assessee having income from business or profession and whose accounts do not require audit or partner of a firm whose accounts do not require audit, due date prescribed in Sec.

263(1) of the ITA, 2025 is proposed to be extended to 31st August.

- In case of spouse of partner of a firm whose accounts do not require audit to whom Portuguese civil code applies, the due date of filing return also extended to 31st August.
- Similar amendment is also proposed in Expl. 2 to Sec. 139(1) of the ITA, 1961 w.e.f. 01-03-2026 to allow non audit assessee having income from business or profession for AY 2026-27 to file their return upto 31-08-2026 instead of 31-07-2026.
- Accordingly, the due date for filing return of income under ITA, 1961 & ITA, 2025 is summarised as under:

Sl. No.	Person	Original Due Date	Proposed Due date
A.	Where TP Report is applicable		
1.	Assessee, including the partners of the firm or the spouse of such partner (if Portuguese civil code applies to such spouse)	30 th November	30 th November
B.	Where TP report is not applicable		
1.	(i) Company;	31 st October	31 st October
	(ii) Assessee (other than a company) whose accounts are required to be audited;		
	(iii) Partner of a firm whose accounts are required to be audited or the spouse of such partner (if Portuguese civil code applies to such spouse)		
2.	(i) Assessee having business income whose accounts are not required to be audited;	31 st July	31 st August
	(ii) Partner of a firm whose accounts are not required to be audited or the spouse of such partner (if Portuguese civil code applies to such spouse)		
3.	Any other assessee	31 st July	31 st July

Comments

- The aforesaid amendment seeks to facilitate taxpayers engaged in business or profession including partners of a firm, who do not require to get their books of accounts audited, by providing them with additional time to prepare their

books of accounts and complete the necessary compliances.

- Incidentally, ITR 1 & ITR 2 is applicable for individuals and/or HUF who do not have income from business & profession. Hence, persons to whom these return forms are applicable shall continue to file ROI on or before 31st July.

8.6
Relaxation of provisions relating to filing of updated return in case of reduction of losses
[Sec. 263(6) of ITA, 2025] [w.e.f. 01-04-2026]
[Sec. 139(8A) of ITA, 1961] [w.e.f. 01-03-2026]

- Sec. 263(6) of ITA, 2025 permits filing of an updated return only where such return is a return showing income. A limited exception was carved out in Sec. 263(6)(b) whereby an updated return could be furnished where the original return filed within prescribed due date was a loss return but updated return is a return showing income. Accordingly, an assessee could not file an updated return merely to reduce the losses originally claimed.
- In order to address this issue, it is proposed to amend Sec. 263(6) of ITA, 2025 to permit filing of updated return where the taxpayer reduces the amount of loss vis-à-vis the loss claimed in its original return of income.
- Similar amendment proposed in Sec. 139(8A) of the ITA, 1961 w.e.f. 01-03-2026 to permit filing of updated return where the taxpayer reduces the amount of loss originally claimed. Hence, the benefit of the amendment can be availed by assessee having already filed return under the ITA, 1961.

Comments

- The proposed amendment aims to enhance the voluntary compliance by offering a window to file

updated return in case of a loss return, subject to the condition that such updated loss return does not result in any incremental refund and the original return has been filed within the prescribed due date.

- An updated return can be filed at any time upto 48 months from end of relevant assessment year. Since amendment is effective 01-03-2026, now an updated return can be filed for AY 2021-22 on or before 31-03-2026, even if the original return was a loss return and the assessee intends to withdraw a claim and reduce its losses.
- Incidentally, in terms of clause (c) of first proviso to Sec. 139(8A) of ITA, 1961, no updated return can be filed if it results in refund. However, a loss return earlier filed may have a claim for refund due to TDS/TCS/advance tax etc. In such scenario, filing of an updated return may not be permitted even if there is no increase in refund claim in the updated return. The issue requires further clarification. However, as per Sec. 263(6) of the ITA, 2025, an updated return is restricted only if there is increase in refund. Hence, the language used therein addresses the issue and updated returns filed after introduction of ITA, 2025 w.e.f. 01-04-2026 can be filed with the original refund claim.

8.7
Relaxation of provisions relating to filing of updated return after issuance of notice of reassessment
[Sec. 263(6) & Sec. 267(5) of ITA, 2025] [w.e.f. 01-04-2026]
[Sec. 139(8A) & 140B of ITA, 1961] [w.e.f. 01-03-2026]

- Sec. 267(5) of ITA, 2025 provides for filing of updated return beyond financial year succeeding the relevant tax year after payment of additional income tax amounting to 25%, 50%, 60% and 70% of the aggregate tax and interest payable along with original tax and interest in first, second, third and fourth year, respectively. However, Sec. 263(6)(c)(v) restricts the filing of updated return where assessment or reassessment or re-computation or revision of income are pending or completed for the relevant tax year.

- In order to reduce litigation at the reassessment stage, it is proposed to amend Sec. 263(6)(c)(v) to allow filing of an updated return even where reassessment proceedings have been initiated by issue of Notice u/s 280, within the time specified in the said notice. Further, once the taxpayer chooses to file an updated return in response to such notice, no other return shall be permitted to be filed in pursuance of the said notice.
- Further, provisions relating to tax liability u/s 267(5) is also proposed to be amended to provide

that an updated return filed pursuant to Notice u/s 280 shall be accompanied with payment of additional sum of 10% of the aggregate tax and interest payable, over and above the original additional income tax of 25%, 50%, 60% and 70%, as applicable.

- Similar amendment is proposed in Sec. 139(8A) of the ITA, 1961 w.e.f. 01-03-2026 to permit filing of updated return pursuant to issue of reassessment Notice u/s 148. Further, sub-section (3A) is

proposed to be inserted in Sec. 140B of ITA, 1961 for levy of similar additional income tax of 10% for such updated return.

Comments

- The proposed amendment provide taxpayers with an additional opportunity to facilitate early closure of reassessment proceedings and minimise prolonged disputes. This ensures certainty and finality for taxpayers, and promotes voluntary and timely compliance.

8.8
Extension of time limit for filing revised return
[Sec. 263(5) & 428(b) of ITA, 2025] [w.e.f. 01-04-2026 for TY 2026-27]
[Sec. 139(5) & 234I of ITA, 1961] [w.e.f. 01-03-2026 for AY 2026-27]

- A revised return u/s 263(5) of ITA, 2025 can be filed within 9 months from the end of the tax year i.e. 31st Dec of the financial year following the relevant tax year. This time limit coincides with the due date for filing belated return of 31st December. As a result, a taxpayer who files a belated return at the end of the prescribed period is effectively deprived of the opportunity to revise such return.
- Hence, it is proposed to increase the time limit for filing a revised return from existing 9 months to 12 months, thereby allowing such return to be furnished up to 31st March of the financial year following the relevant tax year.
- It is further proposed to replace provisions of Sec. 428 which deals with fees for filing belated return to also provide for similar fees for filing a revised return beyond 9 months from end of relevant tax year. Such fee shall be ₹1,000 where total income is upto ₹5 lacs and ₹5,000 in any other cases.
- Similar amendment proposed in Sec. 139(5) of the ITA, 1961 w.e.f. 01-03-2026 to permit filing of revised return from 31st Dec of the relevant

assessment year to 31st March. Further, Sec. 234I is proposed to be inserted for levy of fee as stated above.

Comments

- This a welcome step and a positive measure aimed at facilitating voluntary compliance by providing taxpayers with additional time to rectify errors or omissions. Incidentally, earlier time limit for filing revised return was decreased from 1 year from end of assessment year to end of assessment year by Finance Act, 2017. It was further reduced to 31st Dec of the assessment year by Finance Act, 2021. Now, this extension back to end of assessment year can be seen as a roll back of earlier amendment with a nominal fee.
- Now revision of a belated return under the extended timeline would entail payment of fees at two stages once at the time of filing the belated return and again at the time of revising such return. As a result, overall compliance cost for taxpayers would increase.

8.9
Rationalisation of provisions of block assessment in case of "any other person" [Sec. 295 & Sec. 296 of ITA, 2025] [w.e.f. 01-04-2026]

- In search cases, the tax authorities can make a block assessment under Chapter-XVI - B (Sec. 292-296) to assess undisclosed income for a specified block period for "specified person" and "other person".

- Block period as defined in Sec. 301 of the ITA, 2025 means aggregate of period comprising of 6 tax years immediately preceding the tax year in which search was initiated and period starting from 1st April of tax year in which the search was

initiated and ending on the date when the search is completed (broken period).

- A "specified person" is the person in respect of whom a search or requisition is made. An "other person" refers to someone other than the person searched whose undisclosed income is discovered during the search and relates to them (e.g. third person).
- Presently, Sec. 295 provides for block assessment of any "other person" [third person], being a person other than the person on whom search is initiated or requisition is made [specified person]. The block period applicable to such "other person" is same as the block period applicable to the specified person as specified in Sec. 301 of the ITA, 2025.
- Accordingly, such other person is required to undergo block assessment for the entire block period say 6 complete tax years and broken period, even in cases where the undisclosed income belongs to or pertains to such other person only for a limited tax year. This results in a higher compliance burden on the other person against whom no search was initiated.
- It is proposed with respect to search initiated on or after 01-04-2026, to amend Sec. 295(2), so as to restrict the block period in case of "any other person" as under:
 - Where the undisclosed income pertains only to the tax year immediately preceding the year of initiation of search or requisition [specified year] and up to the date of end of search or requisition, the block period in case of such other person shall be limited to such specified tax year and the period starting from 1st April of the tax year in which search was initiated

and ending on the date when the search was completed [Sec. 295(2)(c)]

- Where the undisclosed income pertains to only single tax year out of the five tax years preceding the specified year, the block period in such case shall comprise only of that single tax year, [Sec 295(2)(d)]
- Presently, as per Sec. 296, block assessment in of "any other person" needs to be completed within 12 months from the end of the quarter in which the last of the authorisations for search was executed or requisition. It is proposed to provide that such block assessment needs to be completed within 18 months from the end of the quarter in which search was initiated or requisition was made where search is initiated on or after 01-04-2026.

Comments

- Sec. 153C of ITA, 1961, introduced by the Finance Act, 2005 (w.e.f. 01-06-2003), governs assessment of income of a person other than the searched person and has been judicially interpreted to require that jurisdiction must be exercised only in respect of the AY to which the incriminating material relates. The Hon'ble Supreme Court in CIT -vs.- Sinhgad Technical Education Society [(2017) 84 taxmann.com 290 (SC)] held that proceedings under special search provisions are year-specific, and in the absence of incriminating material relating to a particular year, assessment for such year is without jurisdiction.
- The proposed insertion of clauses (c) and (d) in Sec. 295(2) seeks to align with the statutory framework with the settled legal position u/s 153C of the ITA, 1961, as interpreted by the Hon'ble SC.



8.10

Conditions for exemption on Sovereign Gold Bonds [Sec. 70(1)(x) of ITA, 2025] [w.e.f. TY 2026-27]

- The provisions of Sec. 70(1)(x) of the ITA, 2025 allows exemption from capital gains arising on redemption of SGBs issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, held by an individual.
- Vide the Finance Bill, 2026, it is proposed to include all SGBs issued by RBI from time to time for the purpose of exemption. Further, it is also proposed that such exemption shall be available only if such bonds are subscribed at the time

of original issue and are continuously held till redemption on maturity by the individual.

Comments

- The amendment narrows the scope of exemption by limiting it to original subscribers and continuous holding till maturity, thereby excluding secondary market purchases as well as transfers by way of gift or inheritance from the benefit of capital gains exemption. Also, it broadens the scope of exemption to include all such bonds issued by RBI from time to time.

8.11

Disallowance of expenses due to non-deduction/ non-deposit of TDS in case of non – life insurance companies; allowable as deduction in the year of payment [Paragraph 4(3) of Schedule XIV of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 35(b)(i) and (ii) of the ITA, 2025 provides that disallowance of any sum, interest etc. on which tax is deductible at source but such TDS has not been deducted or deducted but not deposited within the due date of filing of return. However, such disallowed amount is allowable as deduction in the year in which such TDS is subsequently deducted and paid.
- Sec. 55 r.w. paragraph 4(1)(a) of Schedule XIV of the ITA, 2025 provides for computation of profits and gains of insurance business other than life insurance and requires disallowance of expenditure debited to the profit and loss account which is inadmissible u/s 28 to 54 of ITA, 2025.
- Further, paragraph 4(2) of Schedule XIV of the ITA, 2025 permits deduction of amounts disallowed u/s 37 (certain deductions allowed on actual payment basis only) in the year of actual payment.

However, no corresponding mechanism exists for allowing deduction of amounts disallowed u/s 35(b)(i) and (ii) upon subsequent compliance with TDS provisions.

- In order to rationalise the provisions and align Schedule XIV with Sec. 35(b)(i) and (ii), it is proposed to insert new paragraph 4(3) in Schedule XIV to allow non-life insurance companies to claim deduction for expenses earlier disallowed due to non-deduction &/or non-deposit of TDS, in subsequent year when such TDS has been deducted and paid.

Comments

- While above amendment has been brought in Schedule XIV of ITA, 2025, no corresponding amendment has been proposed in Schedule I of ITA, 1961. Such anomaly may be clarified with suitable amendments.

8.12

Clarification on repeal and savings clause on items allowed as deduction in earlier years but to be treated as income in later year [Sec. 536(2)(h) of ITA, 2025] [w.e.f. TY 2026-27]

- It is proposed to treat sums which has been allowed as deduction or not included in the total income under the ITA, 1961, as deemed income under the ITA, 2025, if it was to be included in the total income under the provisions of the ITA, 1961 had it not been repealed.

Comments

- The amendment seeks to plug legislative gaps arising from the repeal of the ITA, 1961, by ensuring taxability of income that would otherwise escape assessment under the ITA, 2025.

8.13
Clarification on deduction towards interest on self-occupied property [Sec. 22(2) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 22(2) of the ITA, 2025 provides that the aggregate deduction of interest for a self-occupied property shall not exceed ₹2 lacs, where property is acquired or constructed with borrowed capital. However, the present ceiling limit does not expressly include interest payable on borrowings in a year prior to the year of acquisition or construction of the property.
- Sec. 22(2) of ITA, 2025 corresponds to Sec. 24 of the ITA, 1961 under which the overall ceiling of ₹2 lacs for a self-occupied property encompasses not only interest on borrowed capital for the relevant year but also interest relating to the pre-construction or pre-acquisition period.
- In order to correct this inadvertent error, it is proposed to amend Sec. 22(2) of the ITA, 2025 so as to clarify that ceiling limit of ₹2 lacs in respect of self-occupied property shall include interest payable on capital borrowed during any period prior to the tax year in which the property has been acquired or constructed.

8.14
Deduction for co-operative societies extended to income from cattle feed & cotton seed [Sec. 149(2)(b) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 149(2)(b) of ITA, 2025 provides for deduction of whole of the profits & gains of business of a co-operative society derived from supplying milk, oilseeds, fruits or vegetables raised or grown by its members to a (a) federal co-operative society engaged in similar business, (b) government or local authority and (c) a government company or corporation established under any Act engaged in supplying similar products to public.
- However, in practice, members of primary co-operative societies are also engaged in allied and incidental activities such as supplying cattle feed and cotton seeds. It is proposed that the profits and gains of business from these activities shall also be allowed as a deduction u/s 149(2)(b) of the Act.

8.15
Rationalisation of provisions in relation to deduction of dividend income of co-operative societies [Sec. 149(2)(d), Sec. 150, Sec. 203 & Sec. 204 of ITA, 2025] [w.e.f. 01-04-2026]

- As per provisions of Sec. 149(2)(d) of ITA, 2025, a co-operative society is eligible for deduction in respect of interest and dividend income received from other co-operative societies. Further, co-operative societies opting for the new tax regime u/s 203 [corresponding to Sec. 115BAD of ITA, 1961] & u/s 204 [corresponding to Sec. 115BAE of ITA, 1961] are denied such benefit.
 - It is proposed to amend Sec. 203 & Sec. 204 to allow deduction on account of dividend income to co-operative societies opting for new tax regime which is received from other co-operative societies, to the extent the same is distributed to its members, at least one month prior to the due date of filing of return of income u/s 263(1).
 - It is further proposed to substitute Sec. 150, so as to allow deduction of dividend income received by a federal co-operative from its investment in any company for a transitional period of 3 tax years i.e. TY 2026-27 to 2028-29, subject to the following conditions:
 - Dividend arises from investments made by federal co-operative as recorded in its books of account on or before the 31-01-2026; and
 - such dividend income is distributed to its members at least one month prior to the due date of filing of return of income u/s 263(1).
- Accordingly, the above provisions shall not apply to any tax year beginning on or after the 01-04-2029.

- Suitable amendment is also proposed in Sec. 203 and 204 to provide for deduction on account of dividend income as proposed u/s 150, to federal co-operative opting for the new tax regime as well.

Comments

- The amendment seeks to remove the disparity between the old and new tax regimes by allowing deduction of dividend income to co-operative societies under the new regime, where such income is distributed to members within a prescribed time. This prevents double taxation which was previously addressed only for assessee under old tax regime.
- Incentive is also aimed at encouraging federal co-operative to mobilise investments and channel dividend income back to their members.

8.16
Scope of definition of co-operative society widened [Sec. 2(32) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 2(32) of ITA, 2025, defines co-operative society as a co-operative society registered under the Co-operative Societies Act, 1912 or under any other law in force in any State or Union territory for the registration of co-operative societies.
- It is proposed to amend the definition of "co-operative society" so as to include co-operative societies registered under the Multi-State Cooperative Societies Act, 2002 within its scope.

8.17
Expanding the list of minerals to allow expenditure on prospecting of critical minerals as deduction [Sec. 51 r.w. Schedule XII of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 51 provides for tax deductibility of expenses incurred by an Indian company or resident taxpayers (other than companies) engaged in any operations relating to prospecting or extraction or production of the minerals mentioned in Part A and Part B of the Schedule XII of the Act.
- The deduction is allowed on deferred basis (over a span of 10 years from the year of commercial production of any specified mineral), in respect of expenses incurred wholly and exclusively on operations relating to prospecting or on the development of mine or other natural deposit of specified minerals incurred at any time during the year of commercial production and any one or more of the four years immediately preceding the year of commercial production.
- It is proposed to amend Schedule XII by expanding the list of minerals, thereby making expenditure on prospecting and exploring of such critical minerals also eligible for deduction.

Comments

- The proposed expansion has been done in order to incentivize the prospecting and exploration of the critical minerals.

8.18
No deduction of interest expenditure for earning dividend income [Sec. 93(2) of ITA, 2025] [w.e.f. TY 2026-27]

- Presently, Sec. 93(2)(b) of the ITA, 2025 provides that interest expenditure incurred with respect to earning of dividend income or income from units of a mutual fund can be claimed as a deduction while computing income under the head "Income from other sources", subject to ceiling of 20% of dividend income and income from units of mutual funds.
- It is proposed to amend Sec. 93(2) to provide that no deduction shall be allowed in respect of such dividend income and income from units of mutual funds. In other words, dividend income and income from units of mutual funds shall be computed without allowing any deduction for interest expenditure incurred for earning such income.

8.19
Introduction of The Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 [to be notified]

- A new scheme i.e., 'Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026' [FAST-DS 2026] is proposed to be introduced vide Finance Bill, 2026 which aims to provide a time-bound facility for small taxpayers, to facilitate voluntary compliance and enable resolution of such legacy cases, for reporting foreign assets and foreign-sourced income under the ITA, 1961.
 - a NR or RNOR in the previous year but who was resident either in the previous year to which income referred in Sec. 4 of Black Money Act relates or in the previous year in which such undisclosed foreign asset is acquired.
- A declaration is required to be furnished electronically for any previous year in respect of assets or income where the declarant has failed to furnish ROI u/s 139 of ITA, 1961 or failed to disclose such asset or income in the ROI furnished, or such asset or income has escaped assessment u/s 147 of the ITA, 1961.
 - a person resident u/s 6 of ITA, 1961 in the previous year or;

Brief overview of the scheme:

- The scheme shall be applicable to an "assessee" being
 - a person resident u/s 6 of ITA, 1961 in the previous year or;

- Summary of type of assets/income, amount payable and conditions for which declaration may be filed is as under:

Sl. No.	Type of Asset/Income	Amount Payable	Conditions
1	(i) Undisclosed foreign asset; or (ii) Undisclosed foreign income	Aggregate of : (i) 30% of the value of the undisclosed foreign asset (as on 31-03-2026); (ii) 30% of undisclosed foreign income; and (iii) 100% of tax computed under (i) and (ii) above.	The aggregate value of the undisclosed foreign asset and foreign income <= ₹1 Cr.
2	(i) Foreign asset acquired during non-resident period but not disclosed on becoming resident; or (ii) Foreign asset acquired from income already taxed but not disclosed in ROI.	Fee of ₹1 lac.	The value of the undisclosed foreign asset <= ₹5 Crs.

- On receipt of a declaration & the particulars the amount payable in accordance with FAST-DS 2026 shall be verified. This amount payable shall be communicated electronically by way of an order to the assessee within 1 month from the end of the month in which the declaration is made.
 - A one-time extension of up to 2 additional months is allowed, with simple interest at 1% per month (or part thereof) on the unpaid amount. The assessee shall intimate the details of payment made to the prescribed authority.
 - Thereafter, the competent authority shall issue an electronic order certifying payment under FAST-DS 2026 within 1 month from end of the month of receipt of such intimation. Such order shall be final and conclusive for the assets and income covered by the declaration.
- The assessee shall pay the determined amount within 2 months from the end of the month in which the order is received. Failure to pay within this period, save as permitted for delayed payment with interest, may render the declaration ineffective.

Any amount paid under FAST-DS 2026, including interest, shall be final and non refundable. No rectification, revision, set-off or relief shall be available in respect of such declaration.

- The declared income/assets shall not be included in total income under the ITA, 1961 or the Black Money Act, 2015 if related taxes has been paid on such income/assets as per the scheme.
- Upon declaration & payment of prescribed amounts, declarants shall be entitled to immunity from further tax or penalty and from prosecution under Black Money Act, 2015 in respect to the assets and income disclosed under FAST DS 2026.
- Cases involving proceeds of crime for which proceedings have been initiated/pending under the Prevention of Money laundering Act, 2002, or cases where assessment proceedings have been completed under the Black Money Act, 2015 are excluded from this scheme.
- However, where the declaration is made under this scheme and the assessment proceedings under ITA, 1961 or Black Money Act, 2015 is

pending in respect to such income or assets, the AO shall take such declaration into account while finalising the assessment order.

- The Central Government is empowered to prescribe detailed rules on valuation, eligibility conditions, procedure, and safeguards for effective implementation of FAST-DS 2026.

Comments

- The scheme appears to be designed as a narrowly focused compliance window rather than an amnesty. By confining eligibility to specific category of small taxpayers and excluding cases which are already the subject of proceedings under other notified statutes, the framework is aimed at resolving disclosure lapses.
- The ultimate utility of the scheme will depend on the clarity and administrative practicality of the detailed rules to be notified, especially on aspects such as valuation methodology of foreign assets, documentation requirements, and timelines, all of which will be crucial in providing certainty to taxpayers and enabling uniform implementation by tax authorities.

8.20
Exemption of income on compulsory acquisition of land under RFCTLARR Act, 2013 [Schedule III of ITA, 2025][w.e.f. TY 2026-27]

- Sec. 11 r.w. Sl. No. 18 of Schedule III of ITA, 2025, provides exemption to individual or HUF on capital gain income arising from transfer of agricultural land by way of compulsory acquisition under any law and subject to the conditions specified therein. Similar provisions are contained in Sec. 10(37) of ITA, 1961.
- Sec. 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 ('RFCTLARR Act') provides for income tax exemption on compensation in respect of any award or agreement made on account of compulsory acquisition of any land (whether agricultural or non-agricultural) under the said Act.
- The provisions of ITA, 1961 provides exemption for agricultural land only which created ambiguity on the matter of taxability of such compensation received on compulsory acquisition of non-agricultural land. To remove this ambiguity, CBDT vide Circular No. 36 of 2016 dated 25-10-2016 has

clarified that compensation received under the RFCTLARR Act on compulsory acquisition of any land shall not be taxable under the ITA, 1961.

- In order to include such aforesaid exemption under the provisions of ITA, 2025, it is proposed to amend the above Schedule III by inserting Sl. No. 38C, to provide exemption of aforesaid income, if compulsory acquisition is carried out on or after 01-04-2026 under the RFCTLARR Act.

Comments

- The proposed exemption excludes awards or agreements made u/s 46 of the RFCTLARR Act, as transactions under this section arise from private land purchases by non-specified persons. Since such purchases are subject to rehabilitation and resettlement obligations, they are not in the nature of compulsory acquisition by the government. The exclusion ensures that the tax exemption is limited only to genuine cases of compulsory acquisition and prevents misuse of the exemption in private commercial transactions.

8.21 Exemption of interest received on compensation awarded under Motor Vehicle Act, 1988 [Sec. 11 r.w. Schedule III of ITA, 2025] [w.e.f. TY 2026-27]

- As per Sec. 56(2)(viii) r.w.s. 145B(1) of the ITA, 1961, interest received by an assessee on any compensation or enhanced compensation is taxable in the year of receipt.
- compensation awarded by Motor Accident Claims Tribunal to the victims of accidents or his or her legal heir is exempt from tax.
- However, as per judicial precedents viz. Court on its own motion –vs.- H.P. State Cooperative Bank Ltd. [(2014) 52 taxmann.com 151 (HP)] & Oriental Insurance Co. Ltd. [(2022) 138 taxmann.com 88 (Guj)], interest received on compensation awarded under the Motor Vehicles Act, 1988 has been held to be non-taxable, since it is compensatory in nature and forms part of the principal compensation, which itself is not taxable.
- It is proposed to amend Sec. 11 r.w. Schedule III of ITA, 2025 to provide that interest received on

Comments

- The above amendment is proposed to ensure that accident victims and their families receive the full benefit of compensation without erosion through taxation.
- This proposal also aligns the statutory framework with judicial principles that have consistently regarded such interest as compensatory rather than income in the commercial sense, thereby providing clarity, certainty, and relief from avoidable litigation.

8.22 Interest received on compensation awarded under Motor Vehicle Act, 1988 by an individual not liable to TDS [Sec. 393(4) (Table: Sl. No. 7, Column C(c)(iv)) of ITA, 2025] [w.e.f. 01-04-2026]

- Hitherto, interest received on compensation awarded to an individual by Motor Accident Claims Tribunal is liable to TDS, if interest amount exceeds ₹50,000.
- It is proposed to delete the threshold limit of deduction of tax at source. Henceforth, no tax shall be deducted at source on payment of such interest income.

Comments

- Since the entire interest income received on compensation awarded under Motor Vehicle Act, 1988 is proposed to be exempt from tax, hence there is no requirement to deduct tax on such interest income.

8.23 Exemption for disability pension to armed force personnel [Schedule – III of ITA, 2025] [w.e.f. TY 2026-27]

- Disability pension is granted to the armed forces personnel who are invalidated out of service on account of bodily disability i.e. attributable to or aggravated by military, naval or air force service, and such pension comprises of service and disability elements. Such pension was exempt since the ITA, 1922 and continued to be exempt under the ITA, 1961 through the repeal and savings clause (I) of Sec. 297(2) and CBDT Circular No. 13/2019 dated 24-09-2019. However, no such exemption was granted to armed forces personnel
- if the pension received was on account of retirement on superannuation or otherwise.
- It is proposed to amend Schedule III of the ITA, 2025 by inserting Sl. No. 38A to provide that income in the nature of disability pension (both service and disability elements) received by individual member of armed forces (including paramilitary personnel) shall be exempt from tax provided that such individual is invalidated out of service due to a bodily disability attributable to, or aggravated by service, and not due to retirement on superannuation or otherwise.

8.24 Increase in rates of Securities Transaction Tax (STT) on Futures & Options [w.e.f. 01-04-2026]

- Securities Transaction Tax (STT) was introduced by the Finance (No. 2) Act, 2004 to ensure efficient collection of tax on transactions in specified securities carried out through recognised market infrastructure.
- It is proposed to increase the Securities Transaction Tax (STT) as follow :

Derivative Instrument	Previous Rate	New Rate	Percentage Increase	Taxable Value
Equity Futures (Sale)	0.02%	0.05%	+150%	Traded Value
Options (Premium Sale)	0.10%	0.15%	+50%	Option Premium
Options (Exercise)	0.125%	0.15%	+20%	Intrinsic Value
Other Instrument	Unchanged			

Comments

- There has been tremendous increase in rates ranging from 20% to 150%. This will create material impact on trading cost, particularly for high-frequency and volume-based derivative transactions.
- Further, STT was introduced in 2004 with a view to rationalise LTCG tax but with the re-introduction of LTCG tax in 2018, such increase will not be welcomed by trader community.



8.25

Correction in provisions relating to powers of CBDT to make rules for quoting of PAN [Sec. 262(10)(c) of ITA, 2025] [w.e.f. 01-04-2026]

- Sec. 262(10)(c) of the ITA, 2025 provides that CBDT may make rules for certain categories of documents in which PAN shall be quoted by every person pertaining to business or profession.
- Corresponding provision exists in Sec. 139A(5) (c) of the ITA, 1961 by virtue of which CBDT has prescribed a list of 18 high value transactions in Rule 114B in which every person shall quote PAN including sale or purchase of motor vehicles, sale or purchase of immovable property, mutual funds and so on. Hence, PAN is required to be quoted for various transactions which may pertain to transactions not related to business profession.
- In order to align provisions of ITA, 2025 with ITA, 1961, it is proposed to amend Sec. 262(10)(c) to enable CBDT to make rules for quoting of PAN in documents relating to transactions other than business or profession as well.

Comments

- This amendment is merely a correction to the ITA, 2025 for unintended variance with the existing ITA, 1961. The rules pertaining to ITA, 2025 is yet to be notified. This amendment is intended to enable CBDT to prescribe suitable list of transactions for quoting of PAN in line with Rule 114E.

8.26

Amendment in the provision relating to merger of Non-profit Organisations (NPOs) [Sec. 352 & Sec. 354A of ITA, 2025] [w.e.f. 01-04-2026]

- Hitherto, Sec. 352(4) provided that tax on accreted income shall be payable where a registered non-profit organisation merges with any entity other than a registered non-profit organisation having the same or similar objects. However, unlike Sec. 12AC of ITA, 1961, the said provision did not explicitly deal with the cases where a registered non-profit organisation merges with another registered non-profit organisation having the same or similar objects.
- In order to align the provisions with ITA, 1961, it is proposed to insert a new Sec. 354A to provide that Sec. 352 shall not apply where a registered non-profit organisation merges with another registered non-profit organisation having the same or similar objects, subject to fulfilment of prescribed conditions.
- Further, Sec. 352(4) [Table Sl. No. 8B] is amended to clarify the cases where tax on accreted income shall be leviable, namely, merger with an entity other than registered NPOs, merger with a registered NPOs without fulfilling prescribed conditions, or merger with a registered NPOs not having similar objects.

8.27

Clarification regarding specified violation relating to registered NPOs [Sec. 351 of ITA, 2025] [w.e.f. TY 2026-27]

- Sec. 351 provides for specified violations applicable to registered non-profit organisations, one of which related to carrying on commercial activities by an organisation engaged in the advancement of any other object of general public utility.
- However, such violation is also covered u/s 353 ("other violation"). Since inclusion of this violation u/s 351 would result in cancellation of registration of NPOs, it is proposed to remove the reference to such violation from Sec. 351 so as to align the provision with the ITA, 1961.

8.28

Removal of certain funds from requirement of registration [Sec. 332 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 332(1)(f) specified certain persons in Schedule VII (Sl. No. 10 to 16) who may apply for registration as a registered non-profit organisation. However, such persons were not required to obtain registration to claim exemption u/s 10 of ITA, 1961. In order to align the provisions with the ITA, 1961 and to provide clarity, it is proposed to remove the reference of such persons from Sec. 332(1)(f) of the ITA, 2025, so that they shall not be required to obtain registration u/s 332.

8.29

Furnishing of belated return by registered NPOs [Sec. 349 of ITA, 2025] [w.e.f. TY 2026-27]

- Hitherto, Sec. 349 inter alia required a registered non-profit organisation to furnish its return within the time limit prescribed u/s 263(1)(c). However, there was no enabling provision for furnishing a belated return by such organisations, unlike the position under ITA, 1961. In order to bring parity with the provisions of ITA, 1961 and to facilitate compliance, it is proposed to amend Sec. 349 to provide reference to Sec. 263(4), thereby enabling registered non-profit organisations to furnish belated returns.

8.30

Rationalisation of provident fund in Schedule XI of ITA, 2025 in alignment with PF regulatory regime [w.e.f. 01-04-2026]

- Sec. 17(1)(h) of the ITA, 2025 prescribes a unified monetary limit of ₹7.5 lacs on the aggregate employer contributions to a recognised provident fund, pension scheme and an approved superannuation fund. Any contribution in excess of this threshold is taxable as perquisite in the hands of the employee.
- To rationalise and align the tax treatment of recognised provident funds with the prevailing EPF framework, certain amendments have been proposed in Schedule XI: Recognised Provident Funds to the ITA, 2025 as under:
 - contribution parity in specified cases, including low-salary employees (not exceeding ₹500 per month) and contingent bonus structures.
 - Paragraph 1(d) of Part C: Power of CBDT to make rules in relation to differentiated limits applicable to employees who are shareholders of the employer company.

A. Omission of existing provisions

- In view of the comprehensive monetary ceiling of ₹7.5 lacs on aggregate employer contributions across the three specified funds u/s 17(1)(h), following paragraphs are proposed to be omitted :
 - Paragraph 4(c) of Part A: Requirement that the employer's contribution to an EPF account should not exceed employee's contribution and be credited annually.
 - Paragraph 5(4) of Part A: Provision permitting discretionary relaxation of employer-employee

B. Substitution of existing provisions

- Hitherto, paragraph 6 of Part A prescribes that contributions made by employer in excess of 12% of salary along with interest credited above the notified rate prescribed by the Central Government, shall be treated as income of the employee. It is proposed to substitute Paragraph 6 to remove the percentage based restriction to align with the monetary ceiling of ₹7.5 lacs specified in Sec. 17(1)(h) of the ITA, 2025. The provision relating to taxability of interest credited in excess of the notified rate continues to remain applicable.
- Paragraph 4(f) of Part A governs eligibility for recognition of provident funds with reference to exemption from the EPF Scheme. The said paragraph is proposed to be substituted only to

clarify that only provident funds of establishments which have obtained exemption u/s 17 of the Employees Provident Funds & Miscellaneous Provisions Act, 1952 may apply for recognition under the ITA, 2025.

- Hitherto, paragraph 1(e) of Part C empowered the CBDT to regulate investment or deposit of monies of a recognised or an approved fund monies in Government securities (as defined in Sec. 2(f) of the Government Securities Act, 2006) subject to a ceiling of 50%. It is proposed to substitute this Paragraph to enable the CBDT to prescribe investment rules without any fixed statutory ceiling or restriction to specified securities, thereby removing the earlier 50% cap.

Comments

- The proposed changes streamlines Schedule XI by ousting conditions tied to salaries, contribution parity, and legacy rules which no longer align with the evolved provident fund framework.
- Although the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("EPF Act") has been repealed by the Code on Social Security, 2020, the existing provident fund laws will continue to apply for one year from the date the Code comes into force i.e. 21-11-2025, as long as they do not conflict with the new Code. The proposed amendment also continues to refer to the EPF Act as it remains applicable during this transitional period.

8.31

Rationalisation of FEMA (Non-Debt Instruments), Rules 2019

- With the aim of boosting foreign investments and strengthening capital inflows, it is proposed to permit Individual Persons Resident Outside India (PROI) to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to double

the investment limit under this scheme for an individual PROI from 5% to 10%, with an overall investment limit for all individual PROIs to 24% from the current 10%. FEMA Rules to be amended to incorporate this proposal.

8.32

Reduction in quantum of pre-deposit for stay of demand

- As per the Budget Speech given by Hon'ble FM, in case, appeal is filed before CIT(Appeals) against the assessment order, pre-deposit for stay of demand is proposed to be lowered to 10% from

existing 20%. Such quantum of pre-deposit will be calculated on core tax demand.

- It is likely that CBDT shall issue revised instruction(s) in this regard.

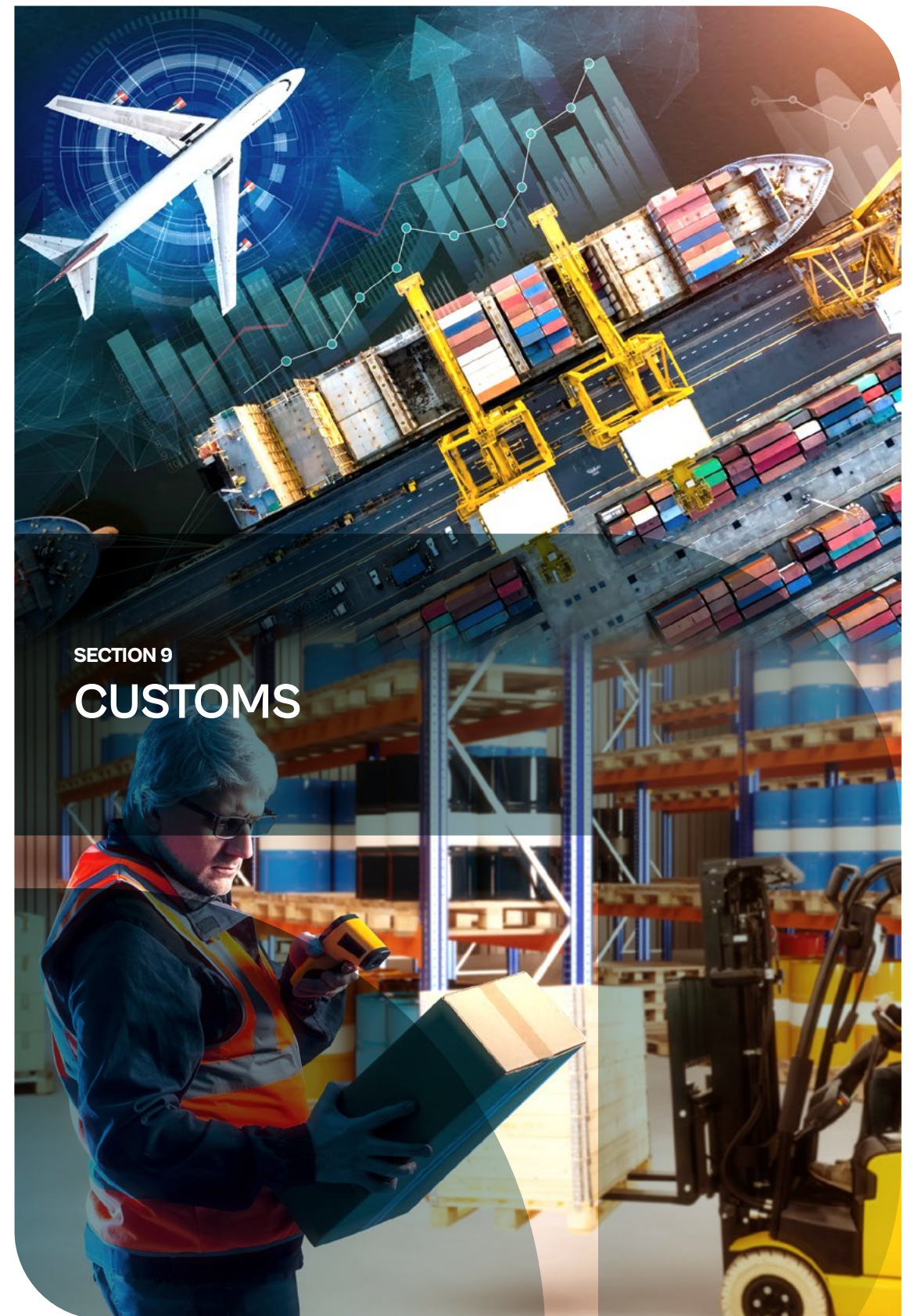
8.33

Integration of Indian Accounting Standard and ICDS [w.e.f. TY 2027-28]

- In a significant step towards strengthening tax administration, Hon'ble FM in the Budget speech, proposes to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements

of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself.

- Accordingly, separate adjustment required based on ICDS would be done away w.e.f. TY 2027-28.



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9.1
Amendments to Customs Act, 1962
9.1.1 Introduction of provisions relating to fishing and fishing related activities beyond the territorial waters of India [Sec. 1(2), Sec 2 & Sec. 56A w.e.f. the date of assent of Finance bill]

- Sec. 1(2) of the Customs Act, 1962 is proposed to be amended to extend the jurisdiction of the said Act beyond the territorial waters of India. Such extension of jurisdiction is limited to the purposes of fishing and fishing-related activities.

- A new clause is being proposed to be inserted in Sec. 2 to define the expression "Indian-flagged fishing vessel".
- A new Sec. 56A is being proposed to be inserted to provide special provisions for fishing and fishing-related activities by an "Indian-flagged fishing vessel" beyond the territorial waters of India.

- It provides that fish harvested beyond territorial waters may be brought into India free of duty.
- It further provides that fish landed at a foreign port shall be treated as export of goods in such manner as may be prescribed by rules.

Comments:

- The proposed amendments will establish a comprehensive customs framework for fishing activities conducted beyond territorial waters and will enable framing of rules regarding declaration, custody, examination, assessment of duty, clearance, and transit or transshipment of such fishes.

9.1.2 Treatment of penalty paid under Sec. 28(5) – Recovery of duties not levied or not paid or short levied or short paid or erroneously refunded [Sec. 28(6) w.e.f the date of assent of Finance bill]

- Sec. 28(6) is being proposed to be amended to provide that the penalty paid under Sec. 28(5), upon determination under sub-section (6), shall be deemed to be a charge for 'non-payment of duty'.

Comments:

- The proposed amendment will provide a mechanism for taxpayers who wish to settle disputes by paying their dues but are discouraged by the negative connotations of the term 'penalty', which creates unintended consequences such as adverse accounting implications and reputational concerns.
- The proposed amendment will encourage voluntary compliance and enable taxpayers to resolve cases without fear of additional adverse consequences.

9.1.3 Validity and extension of Advance Rulings [Sec. 28J(2) w.e.f the date of assent of Finance bill]

- Sec. 28J(2) is proposed to be amended to provide that an Advance Ruling shall remain valid for a period of five years (earlier three years) or till there is a change in law or facts on the basis of which the Ruling has been pronounced, whichever is earlier.

- Proviso to the said sub-section is also proposed to be substituted to provide that in respect of any Advance Ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon request by the Applicant, extend the validity of such ruling for five years from the date of the Ruling.

Comments:

- The proposed amendment shall lead to greater certainty and facilitate better business planning while providing a transitional extension mechanism for existing rulings.

9.1.4 Removal of requirement of prior permission for movement of warehoused goods [Sec. 67 w.e.f the date of assent of Finance bill]

- Sec. 67 is proposed to be substituted to provide that the owner of any warehoused goods may remove such goods from one warehouse to another, subject to prescribed conditions.
- The requirement of prior permission of the proper officer for such removal is proposed to be done away with.

Comments:

- The proposed amendment is a welcome measure to promote ease of doing business. Under current scenario seeking prior approvals caused procedural delays, which will be done away with the proposed amendment.

9.1.5 Inclusion of custody of goods imported or to be exported by post or courier under the regulatory framework [Sec. 84(b) w.e.f the date of assent of Finance bill]

- In Sec. 84(b), the word "the examination" is proposed to be substituted with "the custody, examination" enabling the Board to make provisions relating to custody of goods imported or to be exported by post or courier under the regulations framed under this section.

Comments:

- The proposed inclusion will strengthen the regulatory framework by further empowering the Board to make regulations regarding custody of goods in addition to examination.

9.2 Amendments to Rules

9.2.1 New Baggage Rules & Regulations [w.e.f. 02-02-2026]

- Baggage Rules, 2016 are proposed to be replaced with the Baggage Rules, 2026 to rationalise passenger baggage provisions. These revised Rules provide updated definitions and allowances for personal baggage, clarify temporary carriage of goods, and streamline duty-free clearance procedures to avoid unnecessary detention at ports of entry.
- Customs Baggage (Declaration and Processing) Regulations, 2026 have been notified which supersedes earlier baggage regulations with a view to streamline and modernise passenger baggage management w.e.f. 02-02-2026. The regulations provide for electronic baggage declarations, standardised forms, advance filing, and risk-based verification, while formalising procedures for clearance, temporary import or re-import, transit, custody, and disposal, with defined compliance and penalty provisions.

Comments:

- The proposed amendment to the baggage rules and introduction of baggage regulations modernises and simplifies clearance norms in line with present-day travel realities, thereby aiding passenger facilitation.

9.2.2 Deferred Payment of Import Duty Rules, 2016

- DPIDR, 2016 is proposed to be amended to enable a monthly deferred payment cycle (instead of the existing 15-day cycle) and to create a new class of 'eligible importers' for the purposes of deferred duty facilities under Sec. 47 of the Customs Act, 1962.

Comments:

- The revision of the deferred duty payment regime improves cash-flow management, broadens eligibility, and aligns deferred duty facilities with trusted trader frameworks.

9.3 Amendment to SWS [Notification No. 03/2026-Customs (amending Notification No. 11/2018-Customs)]

- Notification No. 11/2018 - Customs (which specifies the goods on which SWS is leviable under Sec. 110 of the Finance Act, 2018) is proposed to be amended by way of restructuring the list of tariff headings/items to which SWS applies [w.e.f. 01-05-2026].
- Following tariff headings/sub-headings which were earlier exempted via a specific notification are now being inserted into the SWS schedule to continue the exemption benefit [w.e.f. 01-05-2026]:
 - Natural Graphite (Heading 2504),
 - Quartz and Quartzite (Heading 2506),
 - Silicon Dioxide (tariff item 2811 22 00),
 - Artificial Graphite (Heading 3801)
- Sub-heading 2106 90 is proposed to be amended to include - compound alcoholic preparations of a kind used for the manufacture of beverages, of

an alcoholic strength by volume exceeding 0.5% vol., determined at a temperature of 20 degrees centigrade, on which SWS was exempted under Notification No. 45/2025 - Customs ensuring continuity of SWS incidence vide Notification No. 11/2018 - Customs [w.e.f. 01-05-2026].

- Spent catalyst and ash containing precious metals falling under heading 7112 which was exempt from SWS vide Sl. No. 54A of Notification No. 11/2018 - Customs will continue to be exempted.
- SWS will be levied on all goods falling under heading 9804 (all dutiable goods imported for personal use) [w.e.f. 01-04-2026].
- All goods under heading 9503 will now be exempt from the levy of SWS as Parts of electronic toys for manufacture of electronic toys mentioned under Sl. No. 396 of Table I in Notification No. 45/2025 - Customs is now being made exempt from SWS [w.e.f. 02-02-2026]

Comments:

- The proposed amendment does not change the overall rate of SWS, but updates the list of goods to which SWS applies in light of the revised customs tariff structure proposed by the Finance Bill.

- The SWS applicability is recalibrated to match the updated tariff classification entries as amended in the First Schedule and related customs notifications issued under the Customs Act.

9.4 Amendment to AIDC

- The AIDC rate for New pneumatic tyres of rubber, of a kind used on aircraft (other than those attracting NIL BCD) falling under tariff item 4011

30 00 will continue to be charged at 0.5% [w.e.f. 02-02-2026].

9.5 Customs Tariff Act, 1975

9.5.1 Proposed amendments to Duty Rates in the First Schedule to CTA

- Modification in Tariff rates w.e.f. 02-02-2026:

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
MSME Sector				
1.	6601 91 00 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or ₹60 per piece, whichever is higher
2.	6603 20 00 6603 90 10 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or ₹25 per kg., whichever is higher

- Decrease in Tariff rates w.e.f. 01-04-2026:

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

- Tariff rate changes (without change in existing effective rate of duty) w.e.f. 01-05-2026 unless otherwise specified:

Sl. 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	₹42 per kg	₹35 per kg

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
5.	0802 12 00	Almonds, shelled	₹120 per kg	₹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 chapter 26 of the Customs Tariff Act, 1975	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
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%	₹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

Sl. No.	Tariff Item	Commodity	Rate of Duty	
			From	To
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 Lines have been created w.e.f. 01-05-2026:

Sl. No.	New tariff item	Commodity	Rate of duty
1.	0306 19 10	Krill, frozen	15%
2.	0802 99 10	Pecan Nuts	30%
3.	0810 40 10	Cranberries, fresh	10%
4.	0810 40 20	Blueberries, fresh	10%
5.	0811 90 11 0811 90 91	Cranberries, frozen	10%
6.	0811 90 12 0811 90 92	Blueberries, frozen	10%
7.	0813 40 30	Cranberries, dried	10%

Sl. No.	New tariff item	Commodity	Rate of duty
8.	0813 40 40	Blueberries, dried	10%
9.	1207 99 50	Shea Nuts	15%
10.	2008 93 10	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	5%
11.	2008 99 15	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	10%
12.	2106 90 (other than 2106 90 51)	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	50%
13.	2202 99 21 2202 99 31 2202 99 91	Cranberry products	10%
14.	2529 22 10	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2.5%
15.	2615 10 10	Hafnium ores and concentrates	Nil
16.	2841 90 10	Ammonium metavanadate	2.5%
17.	2932 20 40	Gibberellic acid	5%
18.	2915 90 96	Triethyl orthoformate	5%
19.	2917 19 22	Diethyl malonate	5%
20.	2922 19 30	DL-2 Aminobutanol	5%
21.	2932 20 50	Aceto butyrolactone	5%
22.	2932 99 30	Artemisinin	5%
23.	2934 99 50	Thymidine	5%
24.	3302 10 19 3302 10 99	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	10%
25.	4104 11 10 4104 19 10 4105 10 10 4106 21 10 4106 31 10 4106 91 10	Wet blue leather (hides and skin)	Nil
26.	4702 00 10	Rayon grade wood pulp	2.5%
27.	4823 90 90 (kites fall under new tariff item 4823 90 40)	All goods other than kites	10%
28.	8101 99 20	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	5%
29.	8415 90 90	All goods other than indoor or outdoor units of split-system air conditioner	10%
30.	8421 99 90	All goods other than Reverse Osmosis (RO) membrane element for household type filters	7.5%
31.	8507 90 20	Battery separators	5%

Sl. No.	New tariff item	Commodity	Rate of duty
32.	8529 10 93 8529 90 30	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	10%
33.	8609 00 10	Refrigerated containers	5%

Comments:

- New tariff items are proposed to be introduced in the First Schedule to the Customs Tariff Act, 1975 to enable better product identification and precise classification of goods.
- These changes will facilitate collection of accurate transaction data for precursor chemicals, thereby

strengthening their monitoring and regulatory oversight.

- The proposed amendments will also assist in tracking exports and formulating informed policy measures for plant-based extract products, effective from 01-05-2026, unless otherwise specified.

9.5.2 Other proposals involving changes in BCD rates in notifications [w.e.f. 02-02-2026]

Sl. No.	Tariff Item	Commodity	Rate of Export Duty	
			From	To
1.	2612 20 00	Monazite	2.5%	Nil
2.	2841 90 00	Sodium antimonate for use in manufacture of solar glass	7.5%	Nil
3.	2815 20 00	Potassium hydroxide	Nil	7.5%
4.	8401 30 00	All goods for generation of nuclear power	7.5%	Nil
5.	8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power	7.5%	Nil
6.	8501 10 20 8504 31 00 8516 80 00 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00	As applicable	Nil

Comments:

- Export duty has been rationalised by granting Nil rate on Monazite, sodium antimonate used in solar glass, and goods used for generation of nuclear power, indicating policy support for strategic, renewable and nuclear energy sectors.
- Specified goods used in the manufacture of microwave ovens have also been made export

duty free, facilitating ease of trade for finished consumer appliances.

- Conversely, export duty at 7.5% has been imposed on Potassium hydroxide, reflecting a calibrated approach to regulate export of selected chemical inputs.

9.5.3 Other Proposals
(A) Modifications in entries covered under Notification No. 25/2002-Customs dated 01-03-2002

Sl. No.	Sl. No. (of Notification No 25/2002-cus)	Modifications
1.	69A	The existing BCD exemption on capital goods used for manufacture of Lithium-Ion cells for EV batteries is being extended to also cover batteries used for stationary energy storage applications, i.e., Battery Energy Storage Systems, w.e.f. 02-02-2026.

Comments:

- This amendment supports domestic manufacturing in the energy storage ecosystem and aligns with renewable energy and EV policy objectives.

(B) Modifications in entries covered under Notification No. 45/2025-Customs dated 24-10-2025

Sl. No	Sl. No. (of Notification No 45/2025-cus)	Modifications
1.	334A (Table I)	BCD exemption is being provided on raw materials for manufacture of aircraft parts for maintenance, repair, or overhauling (MRO) purposes when imported by Defence PSUs subject to IGCRS Rules and end-use certificate from Joint Secretary (JS), Ministry of Defence, w.e.f. 02-02-2026.
2.	335A (Table I)	BCD exemption is being provided on components or parts, including engines, of aircraft for manufacture of aircraft and aircraft parts, subject to IGCRS Rules, w.e.f. 02-02-2026.
3.	66 (Table II)	Exemption for goods required for setting up of Nuclear Power Projects is expanded to cover projects irrespective of capacity. Validity and eligible contracts extended up to 30-09-2035, subject to certification by JS, Department of Atomic Energy, w.e.f. 02-02-2026.
4.	List 3 (Table I)	17 additional drugs and medicines are being included for BCD exemption, w.e.f. 02-02-2026.
5.	List 22 (Table I)	7 rare diseases under National Policy for Rare Diseases, 2021 are being added for customs duty exemption on drugs, medicines and food for special medical purposes imported for personal use, w.e.f. 02-02-2026.

Comments:

- The above amendments promote defence aviation manufacturing, strengthen nuclear energy infrastructure, and improve access to essential and rare disease medicines.

(C) Rationalisation of exemption under Notification No. 36/2024-Customs dated 23-07-2024

Sl. No	Sl. No. (of Notification No 36/2024-cus)	Modifications
1.	Various entries	29 entries relating to critical minerals are being shifted to the Customs Tariff from 01-05-2026 as part of tariff simplification.
2.	Various entries	22 redundant entries are being omitted w.e.f. 02-02-2026.
3.	38, 39, 55	Three entries relating to salts of oxometallic/peroxometallic acids, rare earth compounds, and unwrought waste/scrap/powders of specified metals are being merged into Notification No. 45/2025-Customs w.e.f. 02-02-2026.

Comments:

- This rationalisation simplifies the exemption framework for critical minerals without altering the effective duty incidence and paves the way for rescinding Notification No. 36/2024-Customs from 01-05-2026.

with or without modification, for a further period of two years i.e., up to 31-03-2028. However, the remaining 22 entries appended below in Table B will lapse on 31-03-2026.

- Further, 11 unconditional exemption/concessional duty rate entries appended below in Table C are being allowed to lapse by omission, with effect from 02-02-2026.
- As a part of rationalisation exercise, the sunset clauses attached to 3 entries is being removed w.e.f. 02-02-2026, as appended below in Table D. At the same time, a specific sunset date of 31-03-2027 is being prescribed for 4 gold and silver related entries, as appended below in Table E.

(D) Review of Customs Duty Concessions/ Exemptions prescribed in Notification No. 45/2025-Customs dated 24-10-2025

- A comprehensive review has been undertaken in respect of 124 conditional exemption/concessional duty rate entries whose validity is expiring on 31-03-2026.
- Pursuant to this review, 102 entries appended below in Table A are proposed to be continued,

- Additionally, 6 entries appended below in Table F are being modified w.e.f. 02-02-2026 to expand scope, revise limits and timelines, and align descriptions with current industry practice.

- Lastly, 3 exemption entries appended below in Table G are being omitted as redundant w.e.f. 02-02-2026 as the effective duty rates are now incorporated directly in the Customs Tariff, without changing the BCD incidence.

Sl. No	Sl. No (of Notification No 45/2025-cus)	Commodities
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Table A- Extension of Validity for Specified Entries up to 31-03-2028 (With or Without Modification)

In Table I of Notification No. 45/2025-Customs		
1.	5	Meat and edible offal of ducks, frozen
2.	14	Planting materials, namely oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses
3.	58	Algal oil for manufacturing of aquatic feed
4.	61	Lactose for use in the manufacture of homeopathic medicine
5.	69	Specified goods used in the processing of sea-food
6.	84	Gold ores and concentrates for use in the manufacture of gold
7.	85	Specified bunker fuels for use in ships or vessels
8.	98	Electrical energy supplied to DTA by power plants of 1000 MW or above, approved prior to 19-07-2012 in SEZ
9.	99	Electrical energy supplied to DTA from power plants of less than 1000 MW, approved prior to 19-07-2012 in SEZ
10.	111	Medical use fission Molybdenum-99 (Mo-99) for manufacture of radiopharmaceuticals
11.	112	Pharmaceutical Reference Standard
12.	114	Specified goods used for manufacture of ELISA Kits
13.	119	Anthraquinone or 2-Ethyl Anthraquinone for manufacture of Hydrogen Peroxide
14.	134	Specified goods for manufacture of sheets/backsheets for solar photovoltaic cells or modules (modified)
15.	138	Specified goods for manufacture of BLDC motors
16.	140	Tags, labels, stickers, belts etc. imported by bona fide exporters
17.	141	Specified goods imported by bona fide exporters for manufacture of handicraft items for export
18.	142	Specified goods imported by bona fide exporters for manufacture of textile or leather garments for export
19.	143	Specified goods imported by bona fide exporters for manufacture of leather or synthetic footwear (modified)
20.	144	Specified goods for manufacture of orthopedic implants or artificial body parts
21.	146	Capacitor grade polypropylene granules or resins for capacitor grade plastic film
22.	148	Super absorbent polymer (SAP) for manufacture of specified goods
23.	150	PTMEG for manufacture of spandex yarn
24.	155	New or retreaded pneumatic tyres of rubber for aircraft
25.	156	New or retreaded pneumatic tyres of rubber for aircraft
26.	160	Pulp for manufacture of newsprint, paper, paperboard, adult diapers and goods under heading 9619
27.	162	All goods imported for manufacture of paper, paperboard or newsprint
28.	163	Specified goods used in printing of newspapers
29.	164	Lightweight coated paper up to 70 g/m ² for printing of magazines

Sl. No	Sl. No (of Notification No 45/2025-cus)	Commodities
30.	173	Pile fabrics for manufacture of toys
31.	174	Moulds, tools and dies for manufacture of electronic components/equipment
32.	175	Graphite felt and thin steel wire for silicon wafer slicing
33.	184	Simply sawn diamonds
34.	185	Seeds for manufacture of rough lab-grown diamonds
35.	205	Ferrous scrap
36.	208	MgO-coated cold rolled steel coils for CRGO steel
37.	209	Specified goods for manufacture of CRGO steel
38.	220	Forged steel rings for special bearings for wind electricity generators (merged)
39.	222	Copper wire/rod for photovoltaic ribbon (modified)
40.	227	Dies imported after repairs from abroad
41.	228	Parts and raw materials for offshore oil exploration/exploitation
42.	229	Specified goods for petroleum or coal bed methane operations
43.	230	Goods for manufacture or maintenance of wind operated electricity generator components (modified)
44.	232	Parts and goods for manufacture of catalytic converters
45.	233	Platinum or Palladium for manufacture of noble metal compounds/solutions
46.	234	Ceria zirconia compounds for wash coat of catalytic converters
47.	235	Cerium compounds for wash coat of catalytic converters
48.	237	Machinery and equipment for fabrication of semiconductor wafers and LCDs
49.	238	Machinery and equipment for assembly/testing/packaging of semiconductor chips
50.	239	Specified goods for manufacture of certain goods and parts
51.	246	Platinum-Rhodium alloy bushings imported in exchange
52.	247	Parts and components for tunnel boring machines
53.	256	Evacuated tubes for solar water heaters
54.	267	Ball screws for CNC lathes
55.	268	Linear motion guides for CNC lathes
56.	269	CNC systems for CNC lathes
57.	270	Goods for manufacture of plastic processing machinery
58.	272	Parts for Micro ATMs, biometric devices and POS readers
59.	273	Parts for manufacture of LED lights and fixtures
60.	274	Inputs for manufacture of LED drivers or MCPCB
61.	277	Goods imported for testing in specified test centres
62.	280	Specified goods for manufacture of microphones
63.	292	Sub-parts for manufacture of DVR/NVR (partial continuation)
64.	293	Parts for manufacture of television reception apparatus
65.	294	Parts for manufacture of CCTV cameras
66.	295	Parts for manufacture of lithium-ion batteries (excluding cells & PCBA)
67.	296	Inputs for manufacture of PCBA of lithium-ion batteries
68.	297	Open cells for LCD and LED TV panels
69.	302	Specified goods for manufacture of LCD/LED TV panels
70.	306	Magnetron up to 1.5 kW for microwave ovens
71.	314	Inputs for manufacture of lithium-ion cells
72.	319	Lithium-ion cells for batteries other than mobile phones/EVs

Sl. No	Sl. No (of Notification No 45/2025-cus)	Commodities
73.	320	Lithium-ion cells for mobile phone batteries
74.	321	Lithium-ion cells for EV or hybrid vehicle batteries
75.	333	Parts of gliders or aircraft simulators
76.	334	Raw materials for manufacture of aircraft and parts
77.	335	Aircraft components including engines
78.	336	Parts, tools and equipment for aircraft MRO
79.	337	Other aircraft
80.	338	Aircraft components including engines
81.	339	Satellites, payloads and related ground equipment
82.	340	Scientific instruments for launch vehicles and satellites
83.	341	Goods under heading 8802 (except CTH 8802 60 00)
84.	342	Goods under heading 8802 (except CTH 8802 60 00)
85.	343	Goods under heading 8802 (except CTH 8802 60 00)
86.	345	Aircraft parts (excluding rubber tubes)
87.	348	Aircraft parts (excluding rubber tubes)
88.	350	Barges or pontoons imported with ships
89.	355	Fishing vessels, tugs similar crafts
90.	375	Materials for manufacture of coronary stents and heart valves
91.	376	Ostomy products
92.	377	Medical and surgical instruments
93.	382	Hospital equipment for specified hospitals
94.	386	Inputs for manufacture of cochlear implants
95.	387	X-ray baggage inspection systems
96.	388	Portable X-ray machines
97.	392	Parts for manufacture of braille watches
98.	396	Parts for manufacture of electronic toys
99.	415	Machinery for power or Bio-CNG projects
100.	440	Machinery for fuel-cell-based power systems

In Table II of Notification No. 45/2025-Customs

101.	1	Security fibre, threads and taggants for security paper
102.	2	Raw materials for security fibre and threads

Table B- Lapse of Specified Conditional Exemption Entries on 31-03-2026
In Table I of Notification No. 45/2025-Customs

1.	93	Naphtha, for use in the manufacture of fertilisers
2.	95	Liquefied Petroleum Gases (LPG) received from SEZ and returned after excess consumption in manufacture of polyisobutylene in DTA
3.	107	Silicon in all forms for manufacture of un-diffused silicon wafers and solar cells/modules
4.	117	Maltol for use in the manufacture of deferiprone
5.	145	Specified goods imported for manufacture of Copper-T contraceptives
6.	154	Ethylene-Propylene-Non-Conjugated Diene Rubber for insulated wires and cables
7.	172	Hydrophilic and hydrophobic non-woven fabrics for manufacture of adult diapers
8.	201	Spent catalyst or ash containing precious metals
9.	218	Metal parts for use in manufacture of electrical insulators
10.	219	Pipes and tubes for use in manufacture of boilers

Sl. No	Sl. No (of Notification No 45/2025-cus)	Commodities
11.	231	Permanent magnets for synchronous generators above 500 kW used in wind operated electricity generators
12.	236	Zeolite for use in manufacture of wash coat for catalytic converters
13.	243	High-speed cold-set or heat-set web offset rotary printing machines with mail room equipment
14.	271	Cash dispensers / automatic banknote dispensers and parts
15.	275	Television and filming equipment imported by foreign film or television units
16.	276	Photographic, filming and sound recording goods of foreign origin re-imported into India
17.	291	Parts and components of digital still image video cameras
18.	309	Raw materials or parts for manufacture of e-Readers
19.	370	X-ray tubes for manufacture of medical, surgical or veterinary X-ray machines
20.	372	Flat panel detectors for manufacture of medical, surgical or veterinary X-ray machines
21.	397	Parts of video games for manufacture of video games

In Table IV of Notification No. 45/2025-Customs

22.	1	Motion pictures, music and gaming software recorded on media for gaming consoles
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Table C- Omission of Certain Unconditional/Concessional Exemption Entries w.e.f. 02-02-2026
In Table I of Notification No. 45/2025-Customs

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 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 manufacture or processing of coffee
9.	285	Parts of radio trunking terminals
10.	287	CD-ROMs containing educational books, journals, magazines or newspapers
11.	310	Loco simulators

*Note: Effective BCD rate will remain the same for Sl. No. 5 and Sl. No. 6

Other changes in exemption entries
Table D- Removal of Sunset Clause for Specified Entries w.e.f. 02-02-2026

1.	303	Parts suitable for use solely or principally with apparatus of headings 8525, 8526 or 8527*
2.	353	All goods (excluding vessels and other floating structures imported for breaking up) - CTH 8901
3.	356	All goods (excluding vessels and other floating structures imported for breaking up) - CTH 8906

* Note: The entry at Sl. No. 1 shall be omitted with effect from 01-05-2026, as the applicable rates will be incorporated in the Customs Tariff itself.

Sl. No	Sl. No (of Notification No 45/2025-cus)	Commodities
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Table E- Prescription of Sunset Date of 31-03-2027 for Specified Entries

1.	192	Gold dore bar, having gold content not exceeding 95%
2.	193	Silver dore bar, having silver content not exceeding 95%
3.	194	(i) Gold bars (other than tola bars) with engraved serial number and metric weight, and gold coins with gold content not below 99.5%, imported by eligible passenger; (ii) Gold in any form other than (i), including tola bars and ornaments (excluding ornaments studded with stones or pearls)
4.	195	Silver in any form including ornaments (excluding ornaments studded with stones or pearls), imported by eligible passenger

Table F- Modification of Specified Entries under Notification No. 45/2025 w.e.f. 02-02-2026

1.	69	Value limit of duty-free imports of specified goods for processing of sea-food increased from 1% to 3% of FOB value of seafood products exported during the preceding financial year
2.	134	Modified description now covers specified goods for manufacture of sheets/ encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof, or backsheet, used in manufacture of solar photovoltaic cells or modules
3.	12, 140, 142	Time period for export of value-added products manufactured from specified inputs imported at concessional duty rate extended from six months to twelve months
4.	143	Duty exemption on specified inputs for manufacture of leather/synthetic footwear for export extended to exporters of shoe-uppers; export period for value-added products extended from six months to twelve months
5.	222	Modified description covers copper wire of refined copper (maximum cross-sectional dimension exceeding 6 mm) or copper rods of refined copper for manufacture of photovoltaic ribbon, tinned copper interconnects, cell/string interconnects, solar ribbon, and for manufacture of solar photovoltaic cells or modules
6.	220 & 230	Entry at S. No. 220 (forged steel rings for special bearings for wind operated electricity generators) merged with S. No. 230; description of S. No. 230 modified to cover goods for manufacture or maintenance of wind operated electricity generator components

Table G- Omission of Redundant Exemption Entries with Continuity of Effective BCD through the Customs Tariff

1.	139	Ethylene Vinyl Acetate (EVA)
2.	157	New pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S. Nos. 155 and 156 of notification No. 45/2025-Customs)
3.	217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00 and 7318 29 90

(E) Review of Exemptions prescribed by other Notifications

- A review has been undertaken of BCD exemptions granted under select legacy notifications relating to precious stones, jobbing exports, copper reverts, and recovery of precious metals, whose validity is expiring shortly. After review, these exemptions are being continued for a further period of two years, i.e., up to 31-03-2028.
- One standalone notification granting exemption to castor oil cake units in SEZ is being allowed to lapse on 31-03-2026.
- A sunset date of 31-03-2028 is being prescribed for exemption relating to works of art and antiques intended for public exhibition.

- Specified entries under Notification No. 36/2024-Customs relating to mineral ores are being omitted as redundant with effect from 02-02-2026, as the effective BCD rates will now operate through the Customs Tariff itself.

Sl. No	Notification No.	Brief Description
Extension of Exemption under notifications for two years, i.e. up to 31-03-2028		
1.	248-Customs dated 02-08-1976	Exemption to precious stones imported by post on approval or return basis
2.	32/1997-Customs dated 01-04-1997	Exemption to goods imported for execution of an export order for jobbing
3.	24/2001-Customs dated 01-03-2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts
4.	25/2001-Customs dated 01-03-2001	Exemption on gold and silver produced out of copper anode slime exported out of India for toll smelting and processing
Lapse of Standalone Notification on 31-03-2026		
1.	113/2003-Customs dated 22-07-2003	Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by a unit in SEZ and brought into DTA
Prescription of sunset date of 31-03-2028 for standalone Notification		
1.	29/2025-Customs dated 09-05-2025	Exemption to works of art and antiques intended for public exhibition

Omission of Redundant Exemption Entries under Notification No. 36/2024-Customs

Sl. No	S. No. of notification No. 36/2024-Customs	Brief Description
1.	5	Copper ores and concentrates
2.	6	Cobalt ores and concentrates
3.	7	Tin ores and concentrates
4.	8	Tungsten ores and concentrates
5.	9	Molybdenum ores and concentrates
6.	10	Zirconium ores and concentrates
7.	12	Vanadium ores and concentrates
8.	13	Niobium or tantalum ores and concentrates
9.	14	Antimony ores and concentrates
10.	42	Unwrought tin
11.	43	Unwrought tungsten, including bars and rods obtained simply by sintering
12.	44	Unwrought molybdenum, including bars and rods obtained simply by sintering
13.	45	Unwrought tantalum, including bars and rods obtained by sintering, powders
14.	46	Cobalt, unwrought
15.	47	Bismuth, unwrought
16.	48	Unwrought zirconium, powders, containing less than one part hafnium to 500 parts zirconium by weight
17.	49	Unwrought antimony, powders
18.	50	Beryllium, unwrought, powders
19.	51	Hafnium, unwrought, waste and scrap, powders
20.	52	Rhenium, unwrought
21.	53	Cadmium, unwrought, powders
22.	54	Cadmium, wrought



Sl. No.	Sub points	Particulars	Page No.
10.1	-	Amendments to CGST Act, 2017	106
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10.1 Amendments to CGST Act, 2017

10.1.1 Allowance of post-supply discounts to be excluded from the value of supply even in the absence of a prior agreement [Sec. 15(3)(b) & Sec. 34 – Effective date to be notified]

- Sec. 15(3)(b) is proposed to be substituted to allow exclusion of post-supply discounts from the value of supply without requiring any prior agreement.
- Such exclusion would be permitted subject to issuance of a credit note by the supplier and proportionate reversal of ITC by the recipient in accordance with Sec. 34.

Comments:

- Earlier, Sec. 15(3)(b) provided that post-supply discounts could be excluded from the value of supply only if the discount was established in terms of an agreement entered into at or before the time of supply and was specifically linked to relevant invoices and the recipient reversed the proportionate ITC attributable to such discount.
- The proposed amendment will now provide greater commercial flexibility by allowing post-supply discounts to be excluded from the value of supply even where no prior agreement exists at the time of supply.
- Earlier, Sec. 34(1) permitted issuance of a credit note only where the taxable value or tax charged in the tax invoice exceeded what was actually payable, or where goods were returned or services were found to be deficient. The proposed

amendment now additionally covers post-sale discounts under Sec. 15(3)(b) as a separate ground for issuing credit notes, thereby clearly addressing the treatment of credit notes in discount-related scenarios.

10.1.2 Amendment in Refund provisions [Sec. 54 – Effective date to be notified]

- Scope of Sec. 54(6) that granted 90% provisional refund is proposed to be extended to include unutilised ITC arising on account of an inverted duty structure.
- Sec. 54(14) is proposed to be amended to exclude refund claims relating to exports of goods made with payment of tax from the minimum threshold of ₹1,000, thereby allowing such refunds without any minimum amount requirement.

Comments:

- These proposed amendments are a positive reform, as they directly address long-standing liquidity and cash-flow challenges faced by MSMEs and exporters. Extending the benefit of 90% provisional refund to cases of inverted duty structure will significantly reduce working-capital blockage caused by delays in post-verification refunds.
- Further, proposed removal of ₹1,000 minimum threshold for export refunds ensures that small and micro exporters particularly those undertaking low-value exports are not denied legitimate refunds, thereby promoting ease of doing business and export competitiveness.

10.1.3 Empowering Government to authorise an existing Authority or Tribunal to hear appeals [Sec.101A w.e.f. 01-04-2026]

- Sec. 101A is proposed to be amended by inserting a new sub-section (1A) after the sub-section (1), empowering the government to authorise any existing Authority or Tribunal to hear appeals under Sec. 101B until the NAA is constituted. It is further proposed that where a Tribunal has been so empowered under sub-section (1A), the provisions of sub-sections (2) to (13) shall not be applicable.

Comments:

- Sec. 101A to Sec. 101C were intended to establish the NAA to resolve conflicting Advance Rulings. However, since these provisions have not yet been notified, assesses have been left without any appellate remedy, resulting in procedural deadlocks and increased litigation before various High Courts.
- To address this gap, the proposed measure empowers the Government to authorise an existing Authority or Tribunal to hear such appeals until the NAA is constituted. This interim mechanism is expected to provide legal certainty, ease litigation bottlenecks, and strengthen the overall effectiveness of the Advance Ruling framework under GST.

10.2 Amendments to IGST Act, 2017

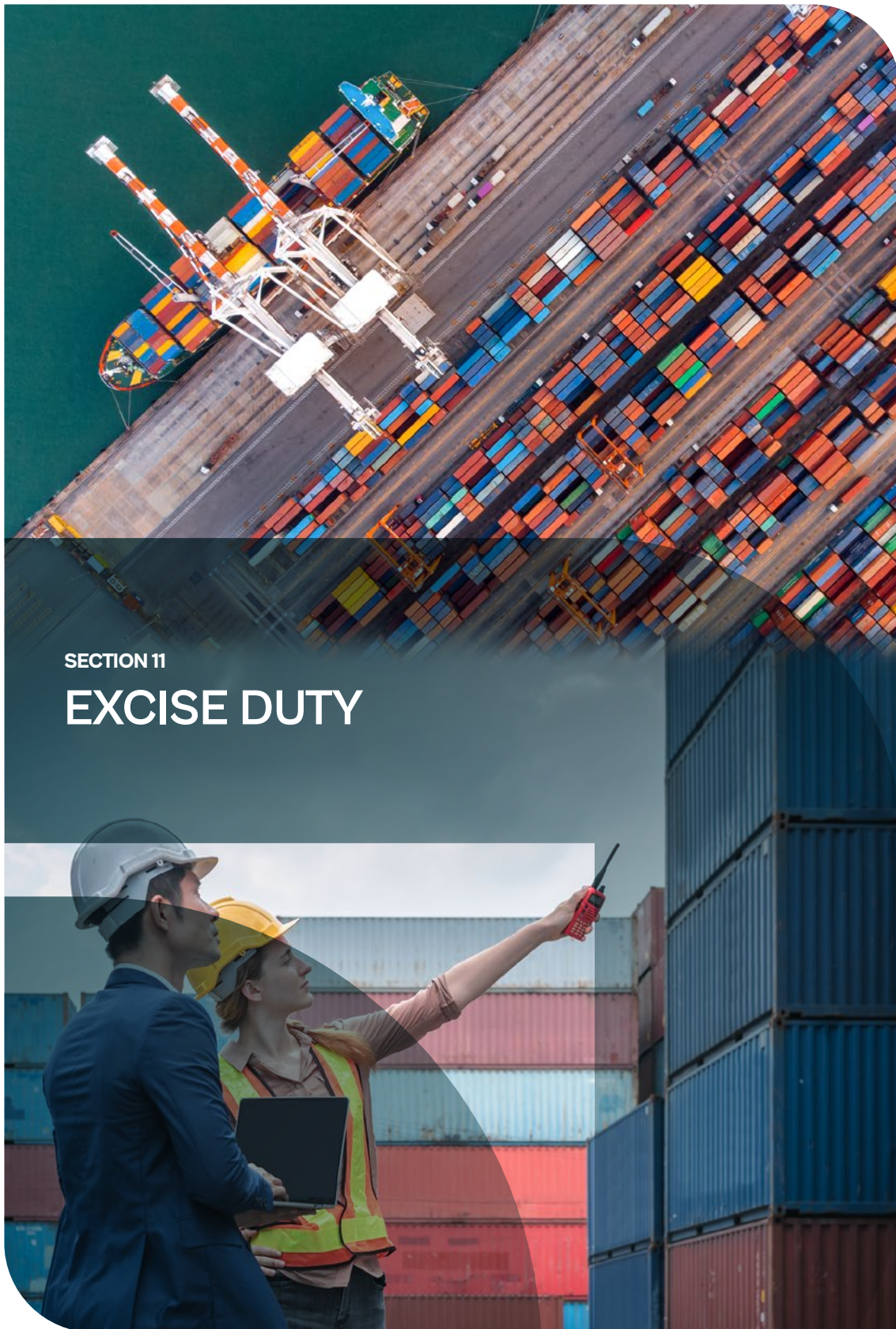
10.2.1 POS of Intermediary Services [Sec. 13(8)(b) – Effective date to be notified]

- Sec. 13(8)(b) is proposed to be omitted, which governs the determination of POS for Intermediary services pursuant to the 56th GST Council Meeting. This provision currently deems the POS of intermediary services to be the location of the supplier.
- Upon such omission, the POS of intermediary services shall be the location of the recipient of services as per default provision prescribed in Sec. 13(2).

Comments:

- The POS of intermediary services under Sec. 13(8)(b) has been a subject of significant and prolonged dispute, as this provision departs from and overrides the general rule applicable to cross-border service transactions. Currently, Sec. 13(8)(b) mandates that the POS of intermediary services shall be the location of the supplier, irrespective of where the recipient is situated.

- As a consequence of this deeming fiction, intermediary services provided by Indian entities to overseas clients have been treated as supplies made within India, even where consideration is received in foreign exchange. Over the past nine years, this has led to the denial of “export of service” status, particularly impacting Indian subsidiaries of foreign companies and service providers engaged in support, marketing, and sales services for offshore clients.
- With the proposed omission of Sec. 13(8)(b), the POS of intermediary services would be determined in accordance with the general rule under Sec. 13(2), i.e., the location of the recipient of services. This alignment with the general POS provisions would enable such intermediary services, where the recipient is located outside India and other conditions are satisfied, to qualify as exports of services.



SECTION 11
EXCISE DUTY

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11.1	-	Amendments to Excise Duty	109
	11.1.1	Modification in NCCD Schedule Rates on Tobacco Products	109
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11.1

Amendments to Excise Duty

11.1.1 Modification in NCCD Rates on Tobacco Products [w.e.f. 01-05-2026]

- Amendment has been proposed in the Seventh Schedule to the Finance Act, 2001 to revise the NCCD rates on certain tobacco products including chewing tobacco, jarda scented tobacco, and other tobacco products including gutkha from 25% to 60%, effective 01-05-2026.
- While the statutory NCCD rates have been raised, the Government has stipulated that the effective rate will continue to be 25% through a notification, ensuring that there is no immediate increase in the actual duty burden unless the effective rate is revised later.

Comments:

- The Government has continued its policy of imposing higher taxes on "sin goods," including tobacco products. The proposed change reinforces the Government's consistent efforts to regulate the consumption of harmful products while streamlining the taxation framework.

11.1.2 Exemption from Central Excise duty on value of Biogas/Compressed biogas [w.e.f. 02-02-2026]

- The value of Biogas/CBG and the corresponding Central, State, UT, or Integrated Tax paid on Biogas/CBG in blended CNG is now proposed

to be excluded from the transaction value for calculating central excise duty, effective from 02-02-2026.

- Earlier exemption on only the GST paid on Biogas/CBG in blended CNG, is being proposed to be rescinded with effect from the same date.

Comments:

- Previously, Central Excise duty exemption applied only to the GST paid on Biogas/CBG contained in CNG. This exemption is now being proposed to be rescinded, and going forward, the entire value of Biogas/CBG in CNG will be excluded from the transaction value for the purpose of computing excise duty, thereby reducing the tax burden and promoting the use of clean energy.

11.1.3 Higher Excise duty on sale of unblended diesel

- The amendment proposes to defer the implementation of the additional excise duty of ₹2 per litre on unblended diesel till 31-03-2028.

Comments:

- The proposed amendment is expected to provide temporary relief to fuel distributors and consumers by reducing immediate cost pressures, offers businesses greater predictability for planning, and allows the government time to align the levy with broader energy transition policies.



SECTION 12

DIRECT TAX RATE STRUCTURE

INCOME TAX RATES (FOR TY 2026-27)

For Individuals, HUF, AOP, BOI and Artificial Juridical Persons

Sl. No.	Income Tax Slabs (In ₹)		ETR under old regime* (including surcharge# and cess@)	Proposed ETR as per Sec. 202(1) of ITA, 2025 (Sec. 115BAC(1A) of ITA, 1961)^ (including surcharge# and cess@)
	From	Up to		
1.	-	2,50,000*	Nil	Nil
2.	2,50,001	4,00,000+	5.20%	Nil
3.	4,00,001	5,00,000+	5.20%	5.20%
4.	5,00,001	8,00,000+	20.80%	5.20%
5.	8,00,001	10,00,000+	20.80%	10.40%
6.	10,00,001	12,00,000+	31.20%	10.40%
7.	12,00,001	16,00,000	31.20%	15.60%
8.	16,00,001	20,00,000	31.20%	20.80%
9.	20,00,001	24,00,000	31.20%	26.00%
10.	24,00,001	50,00,000	31.20%	31.20%
11.	50,00,001	1,00,00,000	34.32%	34.32%
12.	1,00,00,001	2,00,00,000	35.88%	35.88%
13.	2,00,00,001	5,00,00,000	39.00%	39.00%
14.	Above 5,00,00,000		42.74%	39.00%

*In case of resident individual of age 60 years or more (senior citizen) and age 80 years or more (super senior citizen), basic threshold limit of ₹3,00,000 and ₹5,00,000 respectively remains unchanged under the old regime.

+ For resident individuals under new regime, the maximum rebate available u/s 156 of ITA, 2025 (Sec. 87A of ITA, 1961), whose total income does not exceed ₹12,00,000 remains unchanged at ₹60,000 (rebate not available against any income chargeable at special rates like capital gains u/s 196, 197 etc (Sec. 111A, 112). For resident individuals under old regime whose total income does not exceed ₹5,00,000, maximum rebate amounting to ₹12,500 remains unchanged.

^Standard deduction under salaries for tax payers under new regime and old regime remains unchanged at ₹75,000/- and ₹50,000/- respectively.

#Surcharge is applicable at the following rates:

Total Income	Surcharge under old regime®	Surcharge under new regime u/s 202(1) of ITA, 2025 (Sec. 115BAC(1A) of ITA, 1961)®
For ₹50,00,001 - ₹1,00,00,000	10%	10%
For ₹1,00,00,001 - ₹2,00,00,000	15%	15%
For ₹2,00,00,001 - ₹5,00,00,000^	25%^	25%^
Above ₹5,00,00,000^	37%^	25%^

^Surcharge on Income by way of dividend and income chargeable u/s 196 (Sec. 111A of ITA, 1961) (STCG on listed securities), u/s 198 (Sec. 112A of ITA, 1961) (LTCG on listed securities), u/s 197 (Sec. 112 of ITA, 1961) (LTCG other than those specified in Sec. 198) or u/s 210(1) [Table Sl. No. 2 to 5] (Sec. 115AD(1)(b) of ITA, 1961) (certain income of foreign institutional investors) shall not exceed 15%.

^Where Total Income exceeds ₹2 Crs. owing to inclusion of income by way of dividend and income chargeable u/s 196 (Sec. 111A of ITA, 1961) (STCG on listed securities), u/s 198 (Sec. 112A of ITA, 1961) (LTCG on listed securities), u/s 197 (Sec. 112 of ITA, 1961) (LTCG other than those specified in Sec. 198) or u/s 210 (1) [Table Sl. No. 2 to 5] (Sec. 115AD(1)(b) of ITA, 1961) (certain income of foreign institutional investors), then surcharge shall be 15%.

^Surcharge applicable to AOP consisting of only companies as its members shall not exceed 15%.

®Marginal relief shall be provided in all cases where surcharge shall be imposed.

®Health & Education Cess @ 4% is applicable in all cases.

For Co-operative Societies

Particulars	Tax	Surcharge [#]	Health & Education Cess
A. Co-operative societies not opting for new regime u/s 203 of ITA, 2025 (Sec. 115BAD of ITA, 1961)[@]			
Upto ₹10,000	10%	-	4%
From ₹10,001 - ₹20,000	₹1,000 + 20%	-	4%
From ₹20,001 - ₹1,00,00,000	₹3,000 + 30%	-	4%
₹1,00,00,000 - ₹10,00,00,000	₹29,97,000 + 30%	7%	4%
Above ₹10,00,00,000	₹2,99,97,000 + 30%	12%	4%
B. Resident co-operative societies opting for new regime u/s 203 of ITA, 2025 (Sec. 115BAD of ITA, 1961)[@]			
Total Income	22%	10%	4%
C. Resident co-operative societies opting for new regime u/s 204 of ITA, 2025 (Sec. 115BAE of ITA, 1961)[@]			
Income from manufacturing activities or incidental activities	15%	10%	4%
Business income from non-manufacturing activities ^{^^}	22%	10%	4%
STCG from depreciable assets incidental to manufacturing	15%	10%	4%
STCG from non-depreciable asset	22%	10%	4%
Income taxable under the head house property ^{^^}	22%	10%	4%
Excess Profits in arranged transactions determined by AO	30%	10%	4%
Any other income ^{^^}	22%	10%	4%

[#]Marginal relief shall be provided in all cases where surcharge shall be imposed.

[@]u/s 204 of ITA, 2025 (Sec. 115BAE of ITA, 1961), the co-operative society should be set up on or after 01-04-2023 and should commence manufacturing or production on or before 31-03-2024 and should not avail any specified incentive or deductions.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

[@]Concessional tax rate as specified in Sec. 203 of ITA, 2025 (Sec. 115BAD of ITA, 1961) & 204 of ITA, 2025 (Sec. 115BAE of ITA, 1961) is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec.196 of ITA, 2025 (Sec. 111A of ITA, 1961), 197 of ITA, 2025 (Sec. 112 of ITA, 1961) or 198 of ITA, 2025 (Sec. 112A of ITA, 1961), rates specified therein shall be applicable.

For Local Authorities

Local authorities are taxable @ 30%. Surcharge remains unchanged at 12% where the Total Income exceeds ₹1,00,00,000. Health & education cess is applicable @ 4%.

For Partnership Firms including LLP

Partnership firms are taxable @ 30%. Surcharge remains unchanged at 12% where the Total Income exceeds ₹1,00,00,000. Health & education cess is applicable @ 4%.

Alternate Minimum Tax (AMT)

It is applicable on all persons other than companies who has claimed deduction under any section (other

than Sec. 149) included in Chapter VIII-C or Sec. 46 of ITA, 2025 [under chapter VIA (Sec. 80-IA to Sec. 80RRB (except Sec. 80P)), Sec. 10AA and Sec. 35AD of ITA, 1961]. In case of Individual, HUF, AOP, BOI and Artificial Juridical Person, it applies only if Adjusted Total Income exceeds ₹20,00,000. Adjusted Total Income is computed by increasing total income by any deduction claimed under any Sec. (other than Sec. 149) included in Chapter VIII-C and Sec. 46 of ITA, 2025 as reduced by depreciation allowable on assets for which deduction u/s 46 was claimed.

AMT would be computed @ 18.5% on Adjusted Total Income. Surcharge and health & education cess shall be levied, as applicable.

In case of a unit located in an International Financial Services Centre which derives its income solely in convertible foreign exchange, AMT shall be computed @ 9% and in case of co-operative societies, AMT shall be computed @ 15%.

AMT shall not be applicable for individuals & HUF opting for new tax regime u/s 202(1) of ITA, 2025 (Sec. 115BAC(1A) of ITA, 1961) and co-operative societies opting for new tax regime u/s 203 & 204 of ITA, 2025 (Sec. 115BAD & 115BAE of ITA, 1961).

For Corporates

Sl. No.	Particulars	Tax (%)	Surcharge [#] (%)	Health & Education Cess (%)	Effective Tax (%)	MAT Applicability [Rate @14%](%)
A. Domestic companies whose total turnover or gross receipts in TY 2024-25 is <= ₹400 Crs. & Domestic Manufacturing Companies covered u/s 199 of ITA, 2025 (Sec.115BA of ITA, 1961)[^]						
1.	Total income ≤ ₹1 Cr.	25	-	4	26.00	14.56
2.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	25	7	4	27.82	15.58
3.	Total income > ₹10 Crs.	25	12	4	29.12	16.31
B. Domestic companies covered u/s 200 of ITA, 2025 (Sec. 115BAA of ITA, 1961)[^]						
4.	Total Income	22	10	4	25.17	-
C. Domestic companies covered u/s 201 of ITA, 2025 (Sec. 115BAB of ITA, 1961)[^]						
5.	Income from manufacturing activities or incidental activities	15	10	4	17.16	-
6.	Business income from non-manufacturing activities ^{^^}	22	10	4	25.17	-
7.	STCG from depreciable assets incidental to manufacturing	15	10	4	17.16	-
8.	STCG from non-depreciable asset	22	10	4	25.17	-
9.	Income taxable under the head house property ^{^^}	22	10	4	25.17	-
10.	Excess Profits in arranged transactions determined by AO	30	10	4	34.32	-
11.	Any other income ^{^^}	22	10	4	25.17	-
D. Other Domestic companies						
12.	Total income ≤ ₹1 Cr.	30	-	4	31.20	14.56
13.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	30	7	4	33.38	15.58
14.	Total income > ₹10 Crs.	30	12	4	34.94	16.31
E. Foreign Companies						
15.	Total income ≤ ₹1 Cr.	35	-	4	36.40	14.56
16.	Total income > ₹1 Cr. but ≤ ₹10 Crs.	35	2	4	37.13	15.58
17.	Total income > ₹10 Crs.	35	5	4	38.22	16.31

[^]Concessional tax rate as specified in Sec. 199 of ITA, 2025 (Sec.115BA of ITA, 1961), 200 of ITA, 2025 (Sec.115BAA of ITA, 1961) and 201 of ITA, 2025 (Sec. 115BAB of ITA, 1961) is applicable only on income chargeable under these sections. For income covered by specific rates under other sections like Sec. 196 of ITA, 2025 (Sec. 111A of ITA, 1961), 197 of ITA, 2025 (Sec. 112 of ITA, 1961) or 198 of ITA, 2025 (Sec. 112A of ITA, 1961), rates specified therein shall be applicable to all domestic companies.

^{^^}No deduction/allowance in respect of any expenditure/allowance shall be allowed in computing such income.

[#]No surcharge shall apply on tax computed on income of specified fund [referred to in Schedule VI [Note 1(g)] of ITA, 2025 (clause (c) of Expl to Sec. 10(4D) ITA, 1961) in respect of income chargeable u/s 210(1) [Table Sl. No. 1] (Sec. 115AD(1)(a) of ITA, 1961).

[#]Marginal relief shall be provided in all cases where surcharge shall be imposed.

Securities Transaction Tax

STT levied on the value of taxable securities transaction is as under:

Sl. No.	Transactions	Rate	Payable by
1.	Purchase/Sale of equity shares or unit of business trust (delivery based and on recognised stock exchange)	0.1%	Purchaser/Seller
2.	Purchase of units of equity oriented mutual fund (delivery based)	Nil	N.A.
3.	Sale of units of equity oriented mutual fund (delivery based and on recognised stock exchange)	0.001%	Seller
4.	Sale of equity shares, units of equity oriented mutual fund or unit of business trust (non-delivery based and on recognised stock exchange)	0.025%	Seller
5.	Sale of an option in securities [^]	0.15%	Seller
6.	Sale of an option in securities, where option is exercised [^]	0.15%	Purchaser
7.	Sale of futures in securities [^]	0.05%	Seller
8.	Sale of unit of equity oriented fund to mutual fund	0.001%	Seller
9.	Sale or surrender or redemption of a unit of an equity oriented fund to an insurance company, on maturity or partial withdrawal, with respect to unit linked insurance policy	0.001%	Seller
10.	Sale of unlisted equity shares/ unlisted unit of business trust under an offer for sale	0.2%	Seller

[^]Rate increased vide Finance Bill 2026 w.e.f. 01-04-2026

Commodities Transaction Tax

CTT levied on the value of taxable commodities transaction has been kept unchanged:

Sl. No.	Transaction	Price	Rates	Payable by
1.	Sale of commodity derivatives	Price at which the commodity derivative is traded	0.01%	Seller
2.	Sale of option on commodity derivative	Option Premium	0.05%	Seller
3.	Sale of option on commodity derivative, where option is exercised	Settlement price	0.0001%	Purchaser
4.	Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	Price at which the commodity derivative is traded	0.01%	Seller
5.	Sale of option in goods	Option Premium	0.05%	Seller
6.	Sale of option in goods, where option is exercised resulting in actual delivery of goods	Settlement price	0.0001%	Purchaser
7.	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	Difference between the settlement price and the strike price	0.125%	Purchaser

Capital Gains

Particulars	STCG u/s 196 of ITA, 2025 (Sec. 111A of ITA, 1961) @20% *	LTCG @ 12.5% (without indexation)**
A. Individual, HUF, AOP, BOI & Artificial Juridical Persons		
Total Income ≤ ₹50 Lacs [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹50 Lacs but ≤ ₹1 Cr. [Surcharge: 10%; Cess: 4%]	22.88%	14.30%
Total Income > ₹1 Cr. [Surcharge: 15%; Cess: 4%]	23.92%	14.95%
B. Firm		
Total Income ≤ ₹1 Cr. [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹1 Cr. [Surcharge: 12%; Cess: 4%]	23.30%	14.56%
C. Domestic Company[#]		
Total Income ≤ ₹1 Cr. [Surcharge: NIL; Cess: 4%]	20.80%	13.00%
Total Income > ₹1 Cr. but ≤ ₹10 Crs. [Surcharge: 7%; Cess: 4%]	22.26%	13.91%
Total Income > ₹10 Crs. [Surcharge: 12%; Cess: 4%]	23.30%	14.56%

[^]In case of resident individual and HUF, where land or building acquired prior to 23-07-2024 is transferred, lower of tax computed @20% after indexation or @12.5% without indexation shall be applicable on such asset.

*STCG on equity share, unit of equity oriented fund or unit of business trust subjected to STT shall be taxable @20% u/s 196 of ITA, 2025 (Sec. 111A of ITA, 1961) and other assets shall be taxable at applicable rates.

**The exemption limit for LTCG u/s 198 of ITA, 2025 (Sec.112A of ITA, 1961) on transfer of equity shares or equity-oriented units or units of business trust is ₹1.25 Lacs.

[#]In case of Individual/HUF, AOP, BOI, Artificial Juridical person, income chargeable u/s 196 of ITA, 2025 (Sec. 111A of ITA, 1961), 197 of ITA, 2025 (Sec. 112 of ITA, 1961) & 198 of ITA, 2025 (Sec. 112A of ITA, 1961) shall be subjected to maximum surcharge of 15%.

[^]For companies opting for new tax regime u/s 200 of ITA, 2025 (Sec. 115BAA of ITA, 1961) & 201 of ITA, 2025 (Sec. 115BAB of ITA, 1961), surcharge shall be levied @10%.

Effective tax rate on Buy-back on/after 01-04-2026 as proposed in Union Budget 2026:

Category of Person	Regime	LTCG	STCG- Listed	STCG- Not Listed
Domestic Company	New Regime	25.17% [(12.5%+9.5%)+10%+4%]	25.17% [(20%+2%)+10%+4%]	25.17% [22%+10%+4%]
	Old Regime	25.63% [(12.5%+9.5%)+12%+4%]	25.63% [(20%+2%)+12%+4%]	34.94% [30%+12%+4%]
Promoter	Firm/LLP/Local Authority	34.94% [(12.5%+17.5%)+12%+4%]	34.94% [(20%+10%)+12%+4%]	34.94% [30%+12%+4%]
	Co-operative Society	34.32% [(12.5%+17.5%)+10%+4%]	34.32% [(20%+10%)+10%+4%]	25.17% [22%+10%+4%]
	Old Regime	34.94% [(12.5%+17.5%)+12%+4%]	34.94% [(20%+10%)+12%+4%]	34.94% [30%+12%+4%]

Category of Person	Regime	LTCG	STCG- Listed	STCG- Not Listed
Foreign Company	NA	32.76% [(12.5%+17.5%)+ 5%+4%]	32.76% [(20%+10%)+5%+4%]	32.76% [30%+ 5%+4%]
	Others	35.88% [(12.5%+17.5%)+15%+4%]	35.88% [(20%+10%)+15%+4%]	Old Regime – 42.74% [30%+37%+4%] New Regime – 39% [30%+ 25%+4%]
Domestic Company	New Regime	14.3% (12.5%+10%+4%)	22.88% (20%+10%+4%)	25.17% [22%+10%+4%]
	Old Regime	14.56% (12.5%+12%+4%)	23.3% (20%+12%+4%)	34.94% [30%+12%+4%]
Firm/LLP/Local Authority	NA	14.56% (12.5%+12%+4%)	23.3% (20%+12%+4%)	34.94% [30%+12%+4%]
Non-Promoter Co-operative Society	New Regime	14.3% (12.5%+10%+4%)	22.88% (20%+10%+4%)	25.17% [22%+10%+4%]
	Old Regime	14.56% (12.5%+12%+4%)	23.3% (20%+12%+4%)	34.94% [30%+12%+4%]
Foreign Company	NA	13.65% (12.5%+5%+4%)	21.84% (20%+5%+4%)	38.22% [35%+5%+4%]
Others	NA	14.95% (12.5%+15%+4%)	23.92% (20%+15%+4%)	Old Regime – 42.74% [30%+37%+4%] New Regime – 39% [30%+ 25%+4%]

Note: Rate of Surcharge is considered at highest rate at all places in the above table

Capital Gains for certain Non-residents

Sl. No.	Particulars	Short Term Capital Gains Tax u/s 196 of ITA, 2025 Sec. 111A of ITA, 1961 ¹	Short Term Capital Gains Tax Others ¹	Long Term Capital Gains ¹
1.	Overseas financial organizations specified in Sec. 208 of ITA, 2025 (Sec. 115AB of ITA, 1961)	20%	30% (non- corporate) 35% corporate	12.5%
2.	FIs as specified in Sec. 210 of ITA, 2025 (Sec. 115AD of ITA, 1961)	20%	30%	12.5%
3.	Other Foreign Companies	20%	35%	12.5%

¹To be increased by surcharge (applicable, if any) and Cess.

*The exemption limit for LTCG u/s 198 of ITA, 2025 (Sec. 112A of ITA, 1961) on transfer of equity shares or equity-oriented units or units of business trust is ₹1.25 Lacs.

Special Rates for Non-Residents

The following incomes in the case of non-resident are taxed at special rates on gross basis:

Sl. No.	Nature of Income	Rate ¹
1.	Dividend as referred in Sec. 207 of ITA, 2025 (Sec. 115A of ITA, 1961)	20%
2.	Interest of the nature referred in Sec. 393(2) [Table: S.No. 5] of ITA, 2025 (Sec. 194LB of ITA, 1961) received from infrastructure debt funds referred to in Schedule VII (Table: S. No. 46) of ITA, 2025 (Sec. 10(47) of ITA, 1961)	5%
3.	Interest of the nature and extent referred to in Sec. 393(2) [Table: S.No. 2 & 3] of ITA, 2025 (Sec. 194LC & 194LD of ITA, 1961)	5%
4.	Interest in respect of money borrowed by way of issue of long term debt or RDB before 01-07-2023 listed on a recognised stock exchange located in IFSC as referred to in Sec. 393(2) [Table: Sl. No. 4(E)(a)] of ITA, 2025 (Sec. 194LC of ITA, 1961)	4%
5.	Interest in respect of money borrowed by way of issue of long term debt or RDB on or after 01-07-2023 listed on a recognised stock exchange located in IFSC as referred to in Sec. 393(2) [Table: Sl. No. 4(E)(b)] of ITA, 2025 (Sec. 194LC of ITA, 1961)	9%
6.	Interest received on loans given in foreign currency to Indian concern or Govt. of India other than those referred in Sec. 393(2) [Table: Sl. No. 2 to 5] of ITA, 2025 (Sec. 194LB/LC/LD of ITA, 1961)	20%
7.	Income received in respect of units purchased in foreign currency as referred in Sec. 207 of ITA, 2025 (Sec. 115A of ITA, 1961)	20%
8.	Royalty or fees for technical services other than referred u/s 59(1) of ITA, 2025 (Sec. 44DA of ITA, 1961)	20%

¹To be increased by surcharge (applicable, if any) and Cess.



GLOSSARY

ACIT	Assistant Commissioner of Income Tax
Addl CIT	Additional Commissioner of Income Tax
AE	Associated Enterprise
AIDC	Agriculture Infrastructure and Development Cess
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advance Pricing Agreement
AU	Assessment Unit
AY	Assessment Year
BCD	Basic Customs Duty
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CBG	Compressed Biogas
CCIT	Chief Commissioner of Income Tax
CG	Central Government
CGST	Central Goods and Services Tax
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
CNG	Compressed Natural Gas
CPC	Centralised Processing Centre
CTA	Customs Tariff Act, 1975
CTH	Custom Tariff Heading
CTR	Current Tax Reporter
CTT	Commodities Transaction Tax
DCIT	Deputy Commissioner of Income Tax
DGIT	Directorate General of Income Tax
DIN	Document Identification Number
DPIDR	Deferred Payment of Import Duty Rules
DRP	Dispute Resolution Panel
DTA	Domestic Tariff Area

DTAA	Double Taxation Avoidance Agreement
EPF	Employees' Provident Fund
ETR	Effective Tax Rate
EV	Electronic Vehicle
FEMA	Foreign Exchange Management Act, 1999
FIIs	Foreign Institutional Investor
FM	Finance Minister
GAAR	General Anti-avoidance Rule
Govt.	Government
HC	High Court
HUF	Hindu Undivided Family
ICDS	Income Computation and Disclosure Standards
IFSC	International Financial Services Centre
IGCRS Rules	Import of Goods at Concessional Rate of Duty or for Specified End Use Rules, 2022
IGST Act	Integrated Goods and Services Tax
Ind AS	Indian Accounting Standards
IT	Information Technology
IT Act	Income Tax Act
IT Rules	Income Tax Rules, 1962
ITA	Income Tax Act
ITA, 1961	Income Tax Act, 1961
ITA, 2025	Income Tax Act, 2025
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITES	Information Technology Enabled Services
ITO	Income Tax Officer
ITR	Income Tax Return
JCIT	Joint Commissioner of Income Tax
KPO	Knowledge Process Outsourcing
LLP	Limited Liability Partnership

LPG	Liquefied Petroleum Gases
LRS	Liberalised Remittance Scheme
LTCG	Long Term Capital Gain
MAT	Minimum Alternate Tax
MRO	Maintenance, repair, or overhauling
MSME	Micro, Small and Medium Enterprises
NAA	National Appellate Authority for Advance Ruling
NaFAC	National Faceless Assessment Centre
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCCD	National Calamity Contingent Duty
NCLT	National Company Law Tribunal
NFPC	National Faceless Penalty Centre
NPO	Non-Profit Organisation
NR	Non-Resident
OBU	Offshore Banking Unit
PAN	Permanent Account Number
PCCIT	Principal Chief Commissioner of Income Tax
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment
PF	Provident Fund
PGBP	Profits and Gains of Business or Profession
POS	Place of Supply
PROI	Person Resident Outside India
PRU	Penalty Review Unit
PU	Penalty Unit
PY	Previous Year
r.w.	Read With

r.w.s	Read With Section
RBD	Rupee Denominated Bond
RBI	Reserve Bank of India
RNOR	Resident but Not Ordinarily Resident
ROI	Return of Income
RU	Review Unit
SC	Supreme Court
SCN	Show Cause Notice
SDT	Specified Domestic Transaction
SEBI	Securities and Exchange Board of India
Sec.	Section
SEZ	Special Economic Zone
SGB	Sovereign Gold Bond
SLP	Special Leave Petition
STCG	Short Term Capital Gain
STT	Securities Transaction Tax
SWS	Social Welfare Surcharge
TAN	Tax Deduction and Collection Account Number
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TTJ	Tax Tribunal Judgements
TY	Tax Year
u/s	Under Section
Vs.	Versus
w.e.f.	With Effect From
w.r.e.f	With Retrospective Effect From
w.r.t.	With Respect To

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