National - Feb 03, 2026

Page No:	1	Type:	Supplement
Page Name:	Front Page	Language:	English
Size:	1015 sq. cm	Circulation:	98,809
AVE:	INR 1,596,008	Frequency:	Annual

News monitored for: PricewaterhouseCoopers

PAGES 6-11 ▸ Analysis by PwC India

Page No: 6 | Type: Supplement
Page Name: n.a. | Language: English
Size: 1015 sq. cm | Circulation: 98,809
National - Feb 03, 2026 | AVE: INR 1,596,008 | Frequency: Annual

News monitored for: PricewaterhouseCoopers

DIRECT TAXES

Clear and predictable path laid out

Finance minister's proposals provide ease of compliance. **By PwC India**

Amid global turbulence ranging from tariff shocks and artificial intelligence (AI)-driven job disruptions to geopolitical issues, Finance Minister Nirmala Sitharaman presented her ninth Union Budget, steering India's journey towards *Viksit* Bharat by 2047.

The Finance Minister presented the Budget in Kartavya Bhawan anchored in three core *kartavyas* — driving economic growth, empowering citizens, and ensuring equitable access to opportunity.

The proposals provide a clear tax philosophy focused on competitiveness, predictability and ease of compliance, bringing in more stability and convenience.

The world looks at India as a beacon of economic resilience and this Budget positions India's taxation ideology as not merely a revenue source but as a strategic catalyst for growth, inclusion and long-term confidence. The finance minister reaffirmed the implementation timelines for the new Income-tax Act, 2025 as April 1, 2026.

Personal taxation and securities transaction tax (STT): Given most of the tax reliefs and rate cuts have already been granted by the government in its past Budgets, this Budget proposes no change in personal tax rates and deductions.

However, STT on futures is proposed to be increased to 0.05 per cent from 0.02 per cent, on sale of options in securities to 0.15 per cent from 0.1 per cent and on exercise of options to 0.15 per cent from 0.125 per cent.

This move is aimed at curbing excessive speculations in futures and options (F&O) segment based on the Securities and Exchange Board of India's (Sebi's) study wherein 9 out 10 retail F&O traders incur losses.

There has been a constant growth in the income return filers in India in the last few years, and the snapshot are given below:

Change in return filing: In view of the above constant growth in filing, the Budget has proposed certain changes in the return filing due dates as under:

No interest deduction against dividend/mutual fund (MF) income – Proposes that no expense shall be allowed as deduction on dividend income and income from mutual fund units which was earlier allowed up to 20 per cent.

Relief to small taxpayers for disclosure of foreign income and assets under 'The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026': As one-time measure for small taxpayers and with a view to facilitate voluntary disclosure for resolving small taxpayers' legacy issues of foreign asset and foreign income non disclosures, the scheme has been introduced.

The scheme also provides immunity from levy of penalty and prosecution. Amount payable on such disclosure:

Category of taxpayers with undisclosed foreign assets or income amount payable

Not exceeding ₹1 crore tax 30 per cent of FMV & penalty – 100 per cent of tax

Asset acquired out of (a) foreign income (when such person was a non-resident) or (b) income already offered to tax in India – does not exceed ₹5 crore fees of ₹1 lakh

CORPORATE TAXATION CHANGES:

■ **Minimum alternate taxes (MAT):** MAT rate will be reduced from 15 per cent to 14 per cent. With a view to promote adoption of the new tax regime, no further MAT credit will be accumulated for a company opting for the old regime (MAT paid would be final tax). If a company opts for a new regime from tax year 2026-27, MAT credit (up to March 2026) can be availed up to 25 per cent of tax liability and up to the difference between normal tax and MAT (for foreign companies).

MAT shall not apply in case of non-residents opting presumptive taxation.

■ **Buybacks recast:** The buy back, as an option for distribution of accumulated profits, was slowed down when it was taxable as dividend.

However, from April 1, 2026, the Budget proposes to restore capital gains in case of buy back of shares.

Considering distinct position and influence in decision making, additional tax rates proposed on buy back by promoters.

■ **Employer's due date to deposit employee contributions aligned with incomes tax returns (ITR) due date:** With a view of ease of doing business, the government proposes to align the due date for remittance of employees' contributions, for deduction, with ITR due date.

■ **Unexplained credits:** Tax on unexplained credits/ investment/ asset/ expenditure will be reduced to 30 per cent against the earlier tax rate of 60 per cent. Penalty would be aligned with penalty for income misreporting. This would encourage more voluntary reporting.

TRANSFER PRICING & INTERNATIONAL TAXATION:

■ **Rationalisation of safe harbour:** Being a global leader in software development services, information technology-enabled services (ITeS), knowledge process outsourcing (KPO) services and contract software research and development (R&D) services, the Budget proposes to club all these inter-connected services under single category with safe harbour margin of 15.5 per cent.

Threshold is enhanced to ₹2,000 crore, with automated approval. This can be availed for 5 years. This enables uniform safe harbour margin, higher eligibility threshold easing TP compliance and attracting larger multinational companies (MNCs), including global capability centres (GCCs), to India.

■ **Bringing certainty to advance pricing agreements (APAs):** The Budget proposes fast-track completion (within a period of 2 years, extended by 6 months on taxpayer's request) in cases of unilateral "APA" for IT/ITeS.

There is further facility of filing modified returns to cover associated enterprises (AE) with income impacted by APA, within a time period of 3 months for the APAs entered after

Tax dates

Particulars	Existing regime	Proposed regime
Original return - Having business income / Partners in a firm (non-audit cases)	July 31	August 31
Revised return	Dec 31	Extended to March 31 with an additional fee of ₹1,000 (for income ₹5 lakh) and ₹5,000 in all other cases.
Updated return	Not allowed to be filed once reassessment initiated	Allowed even after reassessment is initiated (within specified period) with an additional tax of 10% (in addition to applicable additional tax based on the year in which such return is filed). It can be a loss return filed if filed with an impact of reducing losses.

Updated rates

Nature	Existing rate	Proposed rate
Manpower supply services	Ambiguous (1%/2%/10%)	1% (Individual/HUF) or 2% (Others)
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal, lignite, iron ore)	1%	2%
Remittance under Liberalised Remittance Scheme (LRS)	5% (education/medical) 20% (others)	2% (education/medical) 20% (others)
Sale of overseas tour programme package	5% / 20% (depending on monetary threshold)	2% (no threshold)

April 2026.

This proposal in the Budget would enable aligning their tax returns, facilitating correct reporting and possibility of refunds where excess is paid.

TAX INCENTIVES:

■ **Prioritising funding for domestic AI and computer infrastructure:** With an intent to promote digital infrastructure growth, drive Cloud infrastructure investments and make India more competitive, the Budget proposes to provide tax holiday till 2047 to foreign Cloud service providers using Indian data centres.

For the services offered to Indian customers, the Budget proposes such services to be routed through an Indian reseller entity.

Companies providing data centre services from India could avail safe harbour options of 15 per cent on cost.

The Budget proposes to exempt foreign companies' income from providing capital goods, equipment to an electronic goods manufacturer located in a custom bonded area.

These proposals could further protect foreign companies from PE allegations and exposures.

■ **Extended tax holiday for IFSC:** GIFT IFSC was designed to enable international investors to engage with the Indian economy directly through a world-class regulatory framework like Singapore or Dubai.

To promote this objective, the Budget proposes to increase tax holiday for IFSC from 10 out of 15 years to 20 out of 25 years. Further, business income, post expiry of this period, is proposed to be taxed at 15 per cent. Such units should not be formed by way of splitting, reconstruction, reorganisation or transfer of business in India.

■ 'Dividend' for IFSC treasury centre – To enable growth of IFSCs as treasury centres, loans and advances between group entities would not be treated as deemed dividend subject to satisfaction of certain conditions.

TDS / TCS PROVISIONS:

■ **Rationalisation of TDS/TCS rates:** With an objective of enhancing administrative convenience and mitigating litigation, the Budget proposes certain changes in TDS / TCS rates.

■ Resident individuals and Hindu undivided families (HUF) are not required to obtain tax deduction and collection account number (TAN) for deducting tax on the purchase of immovable property from non-resident.

RETROSPECTIVE AMENDMENTS

With a view to bring certainty and predictability in taxation, the government has always emphasised not amending laws retrospectively. In the past, the government has condemned certain retrospective amendments. However, quite contradictory to its own position, this Budget proposes the following retrospective amendments to provide clarity to investors by removing a major source of ambiguity on taxation laws:

■ Clarifying time-limit for completion of assessment where Dispute Resolution Panel (DRP) is involved and rule out the divergent views taken by the Supreme Court (SC) in this matter: It has been clarified that timelines prescribed for draft and final assessment order will function independently. This amendment has saved the tax authorities from a revenue loss of nearly ₹1.3 trillion given the pendency of cases at various appellate levels (source: SC verdict in Shelf Drilling SLP (Civil) Nos. 20569-20572 of 2023).

■ Initiation of reassessment proceedings by jurisdictional assessing officer (JAO) clarified to be valid – settling the JAO vs. National Faceless Assessment Centre dispute.

This would bring an end to a lot of cases pending at various appellate forums in India.

■ Audits will not be invalidated for minor Document Identification Number (DIN)-related errors, defects or omissions in notices provided the DIN is referenced in any form settling cases pending at various appellate forums in India.

■ Clarification issued on computing the 60-day timeline for transfer pricing order.

RATIONALISATION OF PENALTIES

India is consciously shifting from a high litigation tax environment to a certainty driven investment ecosystem. The government intends to reduce multiplicity of proceedings and thereby, has proposed:

■ Discretionary penalties for defaults such as failure to obtain a tax audit, furnish a transfer pricing report, or report specified financial transactions to be converted into mandatory fees.

■ Cases of unexplained credits, assets, etc. will be treated as cases of misreporting, attracting a 200 per cent penalty.

■ Budget proposes immunity from penalty, currently available for under-reporting of income, will be extended to cases of mis-reporting on payment of additional tax of 100 per cent of the tax due (120 per cent for unexplained cash/ credits etc.).

Pallavi Singhal, subject matter expert

Taxation changes

Particulars	PRE-BUDGET (taxable as dividend)	POST-BUDGET (taxable as capital gains)		
	All Assesees	Promoter-Domestic companies	Promoter-Other than Domestic companies	Non-Promoters
BUYBACK OF LISTED EQUITY SHARES				
Long-term capital gains	at applicable rates	22% (12.5%+9.5%)	30% (12.5%+17.5%)	12.50%
Short-term capital gains	at applicable rates	22% (20%+2%)	30% (20%+10%)	20%
BUYBACK OF PREFERENCE SHARES, UNLISTED EQUITY SHARES & OTHER SPECIFIED SECURITIES				
Long-term capital gains	at applicable rates	22% (12.5%+9.5%)	30% (12.5%+17.5%)	12.50%
Short-term capital gains	at applicable rates			