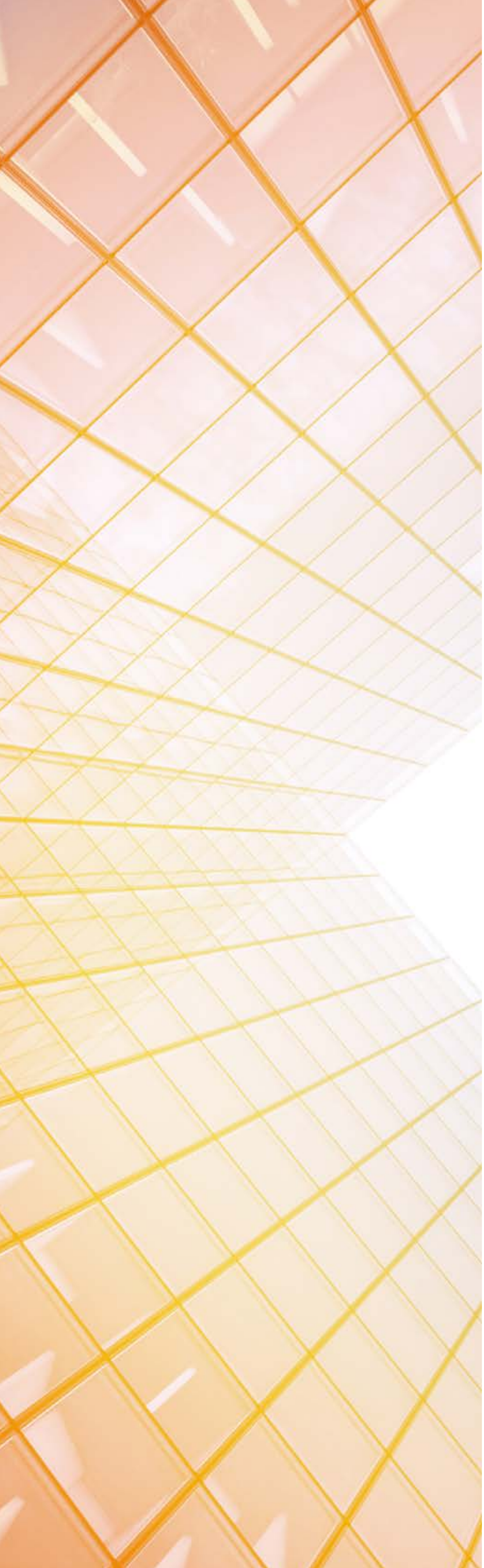
Catapulting India's next growth leap

Budget 2026-27



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Preface

Macroeconomic context

With the global economy coming to terms with the increasing influence of the economically powerful countries of the Global South, and India on the threshold of becoming the third largest economy, global trade frictions and consequent realignments are bound to occur. Despite facing trade challenges due to higher tariffs and general trade protectionism, India made significant headway by entering a win-win 'mother of all trade deals' with the European Union.

Inflationary pressures have ebbed with the food inflation in check. New weights for the revamped inflation index have been released, with the weight for food items lowered and new-age goods and services such as OTT subscriptions and AirPods included in the inflation measurement basket. The change in the composition reflects the changes in consumption patterns as the per capita GDP edges up.

India's macroeconomic fundamentals are strong. The financial sector is on a strong footing, with improved bank asset quality and profitability, rising financialization of household savings through equity and mutual funds, improved financial inclusion through digital public infrastructure and scaling up of the corporate bond market. The external position is resilient, with manageable current account deficit and comfortable forex buffers, which can adequately cover 11 months of imports. Although the exchange rate faces some headwinds, the real effective exchange rate indicates that the Indian rupee is currently undervalued; a reversal of capital flows is expected to support the rupee in the medium term.

Services remain India's high growth, low volatility anchor powered by the expansion of Global Capability Centres (GCCs), digital and professional services, and growing specialisation in high-value services such as engineering, analytics, cybersecurity and artificial Intelligence (AI)-enabled solutions. India needs to work urgently on enhancing AI investments, accelerating AI innovation and adoption, and training the youth on new-age skills and human centric sectors to harness its full demographic potential.

The fiscal goal of reducing the debt-to-GDP ratio to 50% +/- 1% continues to be challenged by weak state finances constraining fiscal headroom. The 2026 Union Budget is presented against this backdrop, which highlights that India must improve its factor productivity, reduce compliance costs further, scale manufacturing, grow exports, contain rupee depreciation and attract global capital.

Budget 2026

Given the fiscal headroom constraints, the theme of the Budget can be summarised as consolidation, rationalisation and incentivisation - consolidation of ongoing schemes; rationalisation of overlapping schemes; and incentivisation of businesses, individuals and entrepreneurs by further improving ease of doing business. The Budget aligns with expectations, meeting the fiscal deficit target for Financial Year (FY) 26 and FY27 target being 10 basis points (bps) lower with the debt-to-GDP ratio targeted to be reduced by 50 bps.

The urgency regarding skilling, job creation and harnessing the demographic dividend is observable as a cross-cutting theme, with interventions and further momentum planned through Corporate Mitras for small enterprises, training of tourist guides, multiskilled caregiver training, hospitality and allied health care professional skilling, and tourist circuits and specialised tourist trail development, being among the key areas of intervention.

The Budget also addresses the expectation articulated in the Economic Survey 2025-26 of lowering input costs to make manufacturing competitive through rationalisation of Customs duties, ease financing and expand capacity by attracting capital flows from non-residents and by offering tax holidays for data-centre investment and for IFSC units.

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Budget highlights

Economic outlook

Real GDP growth expected to be 6.8% - 7.2% for FY 26-27	Inflation expected to be around 3% in FY26 -27	Fiscal deficit of 4.3% and debt to GDP ratio of 55.6% for FY26-27 seems achievable	Tax buoyancy for FY26-27 projected to be below 1.0

Tax rates

- No change in personal tax rates
- Corporate tax rates remain unchanged
- Concessional 15% tax for non-holiday period to IFSC units
- Customs duty on personal imports reduced

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Attracting global investment

- Incentivization of India-based data centres
- Relief announced for electronic goods toll manufacturing
- IFSC tax holiday extended to 20 years

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Tax certainty

- Introduction of unified safe harbour for IT Services
- Retroactive amendments to eliminate ongoing disputes
- Place of supply rules for intermediary services clarified

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Rationalisation and simplification

- Buyback tax reverted to capital gains
- Widening of scope for updated tax return
- Major offences de-criminalised
- Few penalties shifted to graded fees

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Ease of doing business

- Reduction in pre-deposit requirement for stay on demand
- Composite assessment-penalty orders
- Faster cargo clearance via integrated system
- Enhancing ITC refund facilitation for exporters

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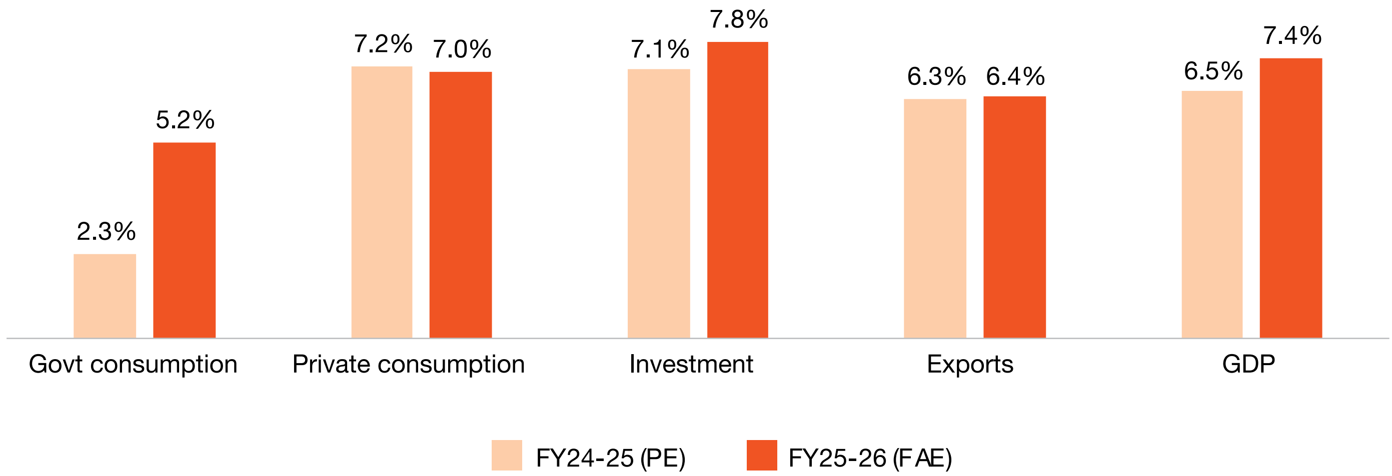
Economic outlook

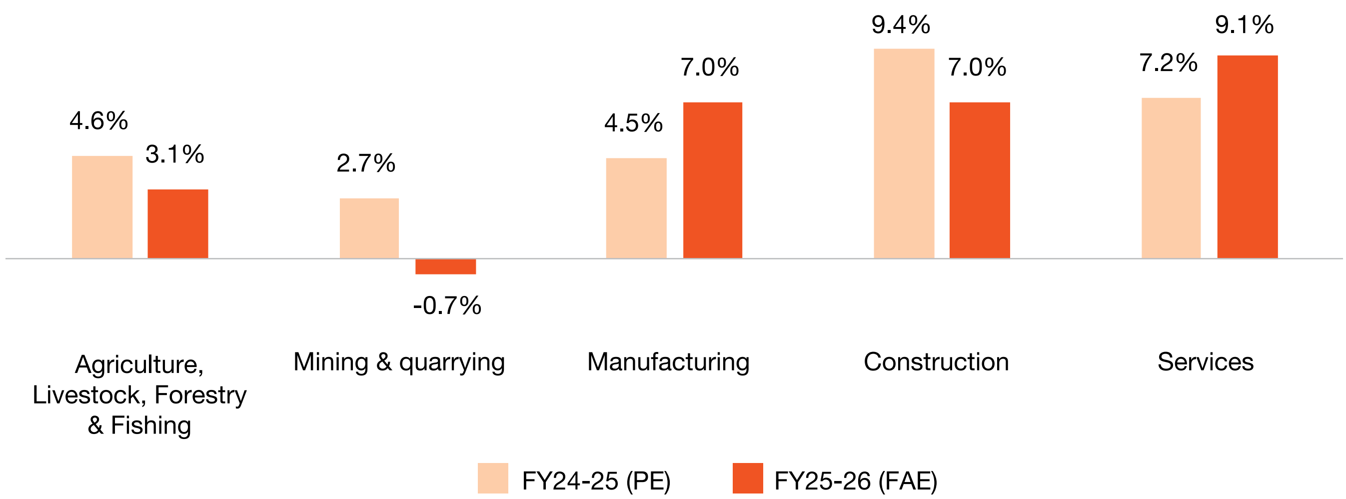
India expected to remain fastest growing major economy in the world

According to the government's first advance estimates, India's real GDP is expected to accelerate to 7.4% in 2025–26 from 6.5% in 2024–25. Driven by a broad-based momentum in consumption, investment and exports, India is expected to remain world's fastest growing major economy in 2025 and 2026. This optimism is also reflected in PwC's 29th Annual Global CEO Survey: India perspective (January 2026), which mentions that 77% of Indian CEOs expect stronger domestic growth, surpassing the global average of 55%. In addition, 57% of Indian CEOs are highly confident of their company's near-term revenue growth, compared to only 30% of global CEOs.

Growth in expenditure components of India's GDP



Growth in sectoral components of India's Gross Value Added (GVA)



PE: Provisional Estimates; FAE: First Advance Estimates

Source: Ministry of Statistics and Programme Implementation, First Advance Estimates 2025–26

Four pillars of India's growth in FY25–26

Private consumption (⬆7%): Private consumption was primarily driven by strong rural consumption due to good monsoons, higher kharif foodgrain output and direct benefit transfers to women, farmers and youth. GST rationalisation, lower inflation and inclusion of hinterlands into the formal financial and digital payments ecosystem also supported rural demand.

Investment (⬆7.8%): The Central Government frontloaded capital expenditure. Real estate was buoyant based on demand for premium housing and office spaces. Expansion of GCCs, flexible workspace demand, and rapid scaling of warehouses and Tier-1 data centres created demand for commercial real estate.

Manufacturing (⬆7%): Production of high value technological products, including smartphones, semi-conductors, lithium-ion cells and solar cells grew. Exports were advanced to avoid tariff imposition. Government capex boosted demand for capital and infrastructure goods. Low inflation, tax reforms and easing of interest contributed to lower cost of production as well as increase in consumers' disposable income, stimulating domestic demand.

Services (⬆9.1%): Broad-based momentum was observed across most service segments supported by higher urban disposable income; surge in business, increasing the threshold for safe harbour under tax, medical and recreational tourism; and e-commerce growth. The services sector is also benefitting from infrastructure growth and warehousing expansion. Stronger credit growth, rising formalisation of the economy and maturing India stack, which has lowered the cost of delivering financial services, is also supporting services growth. Services exports continue to grow robustly owing to strong global demand for AI, data science and engineering research and development and expansion of GCCs.

Outlook

After a year of major structural reforms, especially with respect to labour and GST, India steps into 2026 on a relatively more confident growth path. A diversified domestic consumption base, sustained government capex growth, resilient services and support to the manufacturing ecosystem are expected to support realisation of the potential growth rate of 7% as outlined in the Economic Survey. Continued adherence to fiscal prudence will impart confidence to global investors; improve India's perception among rating agencies; and encourage more global indices to include India, resulting in increasing passive capital flows. However, global trade protectionism, rising geo-political conflicts and potential global shocks from financial volatility are key downside risks to India's economic momentum. Domestic factors that can hamper growth include weak urban consumption, slow revival of private investment, low agricultural productivity and adverse climate events. With a modest target of reducing the debt-to-GDP ratio by 50 bps, the government retains sufficient buffers on both revenues and expenditures to intervene fiscally and mitigate potential risks effectively. Balancing the drivers and risks to growth, the projected GDP growth by the Economic Survey at 6.8–7.2% for FY26–27 seems achievable.

Budget at a Glance: 2026–27

Fiscal consolidation

Fiscal consolidation for 2021–26 achieved – The 2021–22 goal of reaching 4.5% fiscal deficit by 2025–26 has been successfully achieved by the Government of India (GoI) (4.4% fiscal deficit to GDP ratio as per the 2025–26 revised estimate), balancing higher public capex with fiscal prudence.

New fiscal anchor – The GoI has now transitioned from fiscal deficit targeting to a 'Debt to GDP' framework, aiming to achieve the Central Government debt-to-GDP ratio of 50% (±1%) by 31 March 2031.

For FY26–27, the GoI is budgeting a fiscal deficit of 4.3%, thereby achieving Central Government debt-to-GDP ratio of 55.6%, a 50 bps reduction over the previous year.

	Lower
Fiscal deficit	
FY 26–27 (BE)	4.3% of GDP
FY 25–26 (RE)	4.4% of GDP

	Lower
Government debt	
FY 26–27 (BE)	55.6 % of GDP
FY 25–26 (RE)	56.1 % of GDP

FY 26–27 (BE)	**Revenue (excluding borrowings)**	INR 36.5tn
FY 26–27 (BE)	**Total expenditure**	INR 53.5tn
FY 26–27 (BE)	**Fiscal deficit**	INR 17tn

BE – Budget Estimate; RE – Revised Estimate; tn- trillion

Revenue receipts

A 7.2% increase in net tax revenue receipts due to moderation in tax revenue, driven by low inflation, income-tax relief and rationalisation of Goods and Services Tax (GST) was undertaken in FY25–26. A degrowth in non-tax revenues is estimated, primarily owing to a significant drop in telecom revenues and modest growth in dividends from public-sector enterprises and the Reserve Bank of India (RBI).

	Up 5.7%		Up 7.2%		Down 0.2%
Revenue receipts		**Net tax revenue**		**Non-tax revenue**	
FY 26–27 (BE)	INR 35.3tn	FY 26-27 (BE)	INR 28.7tn	FY 26-27 (BE)	INR 6.66tn
FY 25–26 (RE)	INR 33.4tn	FY 25-26 (RE)	INR 26.7tn	FY 25-26 (RE)	INR 6.68tn

Tax revenue

Gross tax-to-GDP ratio is budgeted to reduce to 11.2% in FY26–27 from 11.4% in FY25–26.

Gross tax		Corporation tax		Income tax		GST		Other taxes	
Up 8%		Up 11%		Up 11.7 %		Down -2.6%		Up 12.7%	
FY 26–27 (BE)	INR 44tn	FY 26–27 (BE)	INR 12.3tn	FY 26–27 (BE)	INR 14.7tn	FY 26–27 (BE)	INR 10.2tn	FY 26–27 (BE)	INR 6.9tn
FY 25–26 (RE))	INR 40.8tn	FY 25–26 (RE)	INR 11.1tn	FY 25–26 (RE)	INR 13.1tn	FY 25–26 (RE)	INR 10.5tn	FY 25–26 (RE)	INR 6.1tn

Non-debt capital receipts

Higher disinvestment receipts are budgeted as ‘Miscellaneous Capital Receipts’, reflecting the expectation of concluding ongoing stake sale processes in some PSUs during FY26–27.

Non-debt capital receipts		Recovery of loans and advances		Miscellaneous capital receipts	
Up 84.9%		Up 27.2 %		Up 136.4%	
FY 26–27 (BE)	INR 1.18tn	FY 26–27 (BE)	INR 0.38tn	FY 26–27 (BE)	INR 0.80tn
FY 25–26 (RE)	INR 0.64tn	FY 25–26 (RE)	INR 0.30tn	FY 25–26 (RE)	INR 0.34tn

Expenditure profile

The government’s focus on long-term productivity is to continue in FY26–27, with capital expenditure growth outpacing revenue expenditure, marking further enhancement in the quality of public expenditure.

Total expenditure		Revenue expenditure		Capital expenditure	
Up 7.7%		Up 6.6%		Up 11.5%	
FY 26–27 (BE)	INR 53.5tn	FY 26–27 (BE)	INR 41.3tn	FY 26–27 (BE)	INR 12.2tn
FY 25–26 (RE)	INR 49.6tn	FY 25–26 (RE)	INR 38.7tn	FY 25–26 (RE)	INR 11tn

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Big-bet sectoral announcements for key sectors

Banking, Financial Services and Insurance (BFSI)

The PwC-Economic Times (ET) Pre Budget Survey 2026 indicates that most BFSI leaders (90%) expect the economy to have a strong growth momentum, with growth expectations ranging between 6.5–7%. While some (31%) CXOs express concerns regarding an uptick in inflation, majority (41%) expect it to remain moderate

Industry expectations

- Create tax parity between deposits and mutual funds
- Make public investments to develop common digital infrastructure
- Take steps to make insurance more affordable for all
- Align annuity taxation with pension products
- Launch a mandatory National MSME Protection Scheme

Impact

- The high-level committee is expected to create opportunities to recalibrate banking regulations specifically focusing on public-sector banks (PSBs) in areas such as capital norms, governance standards, grievance redressal mechanisms, digital transformation and inclusion
- Institutionalisation of invoice-based financing is anticipated to better working capital availability and increase transaction volume beyond INR 7tn, while creating new asset classes for capital markets through securitisation.
- Enhanced tax holidays to units in IFSC to incentivise global investors to set up offshore centers and promote capital and liquidity flows in IFSC.

Major announcements

- A High-Level Committee on Banking for Viksit Bharat to be established to align the sector with future growth and stability goals
- Four Trade Receivables Discounting System (TReDS) improvement measures are proposed for MSMEs, viz. boosting adoption through mandates, credit guarantees through invoice discounting, linking with the Government e-Marketplace (GeM) portal for information sharing and developing secondary markets by introducing TReDS receivables as asset-backed securities
- Restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) is suggested as the first step to scale and increase the efficiency of public-sector Non-Banking Financial Companies (NBFCs) under the Viksit Bharat vision
- Comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 is proposed to modernise and simplify the foreign investment framework
- Market-making framework and total return swaps are introduced to deepen corporate bond market liquidity

Manufacturing

The ET CXO Survey indicates a strong manufacturing outlook, with a clear majority describing India's growth momentum as strong or highly robust, and very few seeing a visible slowdown. Demand signals are supportive as well, with most leaders finding consumer demand strong to highly robust

Industry expectations

- Enhance Research and Development (R&D) incentives and support technology adoption
- Promote green manufacturing with tax benefits
- Increase investment in power, transport and industrial parks
- Support semiconductor manufacturing with incentives
- Facilitate access to low-cost credit and ease financing for MSMEs
- Encourage skill development programs aligned with Industry 4.0
- Boost exports and incentivise local sourcing

Impact

- Hi-tech tool rooms and a stronger focus on electronics are expected to boost capital goods production
- Container manufacturing push is likely to reduce imports and support the logistics sector
- Upgraded legacy clusters are anticipated to enhance productivity and strengthen MSME competitiveness
- Tax and duty reforms are expected to reduce costs and ease compliance for manufacturers and exporters, directly boosting profitability and global competitiveness amid changing geopolitical dynamics

Major announcements

- Six growth interventions to focus on scaling manufacturing in seven strategic sectors – Biopharma, Semiconductors, Electronics components, Rare earth minerals, Chemicals, Container manufacturing
- Electronics manufacturing outlay to rise to INR 400bn to scale up domestic capacity
- Capital goods push through INR 100bn container manufacturing programme, two hi-tech tool rooms in Central Public Sector Enterprises (CPSEs) and a scheme for construction and infrastructure equipment
- Integrated five-part programme to boost textiles and enhance global competitiveness. Additionally, plans to set up Mega Textile parks
- A scheme to modernise 200 legacy industrial clusters to improve competitiveness
- Exemption from basic customs duty on specified parts used in the manufacturing of defence and civilian aircraft and aircraft parts for maintenance, repair and overhaul activities
- Tax holidays to foreign principal for deploying capital equipment in India for toll manufacturg of electronic goods in India

Infrastructure

The PwC-ET Pre Budget Survey 2026 indicates strong positive sentiment within infrastructure-sector leaders, marked by growth expectation of 6.5–7 %, according to 86% of the CXOs

Industry expectations

- Rise of 10–15% in Ministry of Road, Transport and Highways (MoRTH) capex
- Targeted funding for key infrastructure missions — Jal Jeevan, High-Speed Rail, Smart Cities and Inland Waterways
- Revamping of Public Private Partnership and monetisation models with stronger viability gap funding, balanced risk-sharing and wider investor participation
- Continued transmission investments and stronger focus on distribution reforms

Impact

- The higher allocation is expected to enable sustaining momentum in infrastructure creation required to support long-term economic growth
- The Infra Risk Guarantee Fund is expected to reduce risk during construction and early project phases and encourage greater private sector participation
- Sustainable mobility for cargo movement
- Strengthening regional growth clusters through allocation towards CERs
- Sustainable mobility solutions for people through high-speed rail corridors to cut travel time, boost regional growth and enhance inter-city mobility
- Continued allocation of funds to ongoing schemes such as SASCI, Urban Challenge Fund and AMRUT to maintain the momentum of infrastructure development
- Municipal bond related measures are anticipated to be useful for facilitating funding for urban infrastructure

Major announcements

- Public capital expenditure increased to INR 12.2tn.
- Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders
- Dedicated Real Estate Investment Trusts to monetise real estate assets of CPSEs
- Operationalisation of 20 new National Waterways connecting mineral rich areas, industrial centres and ports
- Allocation of INR 50bn for City Economic Regions (CERs) to boost infrastructure in Tier II and III cities and temple towns
- Development of seven high-speed rail corridors
- INR 2tn support under Special Assistance to States for Capital Investment (SASCI) Scheme
- Urban Challenge Fund outlay of INR 100bn and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) outlay of INR 80bn
- Municipal bonds: INR 1bn incentive for a single municipal bond issuance greater than INR 1,000crore; AMRUT scheme continues to incentivise issuances up to INR 200crore

Power and Renewables

The PwC-ET Pre Budget Survey 2026 highlighted that policy and regulatory uncertainty holds back private investment in the infra sector, with the biggest constraints being projects approvals and clearances

Industry expectations

- Focus on in-house development of advanced solar technologies
- Focus on grid stability and prioritising investments in smart grids, flexible transmission networks and battery storage solutions
- Provision of fiscal incentives for green bonds, carbon markets and Environmental, Social, and Governance (ESG) linked loans

Impact

- The restructuring of PFC and REC is expected to improve the efficiency of public-sector NBFCs under the Viksit Bharat vision
- CCUS schemes are expected to support the transition towards a low-carbon footprint for power generation and promote sustainable manufacturing

Major announcements

- Restructuring of PFC and REC
- Proposed outlay of INR 200bn to facilitate Carbon Capture Utilisation and Storage (CCUS)

Healthcare and Pharma

The PwC-ET Pre Budget Survey 2026 reflects an upbeat sentiment across healthcare and pharmaceuticals, with strong growth momentum acknowledged by 87.5% of the CXOs and robust demand cited by 92.5%. Inflation expectations continue to be monitored, as leaders anticipate either rising or steady inflation within the Reserve Bank of India (RBI) band

Industry expectations

- Increase public health spending to enhance infrastructure and access
- Enhance R&D incentives, simplify approvals and technology transfer
- Expand digital health through data standardisation and interoperability
- Strengthen cybersecurity for reliable telehealth and digital tools
- Prioritise prevention with focus on screening and long-term care
- Make diagnostics affordable
- Accelerate AI and big data use
- Boost public-private partnerships for innovation

Impact

- The implementation of the Biopharma Shakti programme is expected to support the ecosystem development of the biopharmaceutical industry. This includes advanced research, skill enhancement and improved drug development timelines. The programme is anticipated to support the domestic production of biologics and biosimilars
- New institutions for AHPs and for training 1.5 lakh caregivers as well as upgraded mental health facilities are expected to strengthen healthcare
- Medical value-tourism hubs to enhance India's global healthcare appeal, attracting more foreign visitors. Ayurveda and AYUSH upgrades to modernise traditional medicine and improve standards

Major announcements

- The government to launch an INR 100bn Biopharma Shakti programme, expand National Institute of Pharmaceutical Education and Research (NIPER) institutes, create 1,000 clinical trial sites and strengthen the Central Drugs Standard Control Organisation (CDSCO)
- One lakh Allied Health Professionals (AHPs) to be created across ten disciplines in the next five years, with 1.5 lakh caregivers to be trained in the coming year
- National Institute of Mental Health and Neuro Sciences-2 (NIMHANS-2) and upgraded mental-health institutes are to be developed (in Ranchi and Tezpur), while mental health and trauma care capacities in district hospitals to be increased by 50%
- Five medical value-tourism hubs to be created in partnership with the private sector
- Three new Ayurveda institutes and upgraded Ayurveda, Yoga, and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) facilities to be set up

Cloud Computing, Data Centres, and Information Technology (IT) and IT enabled Services (ITeS)

Over 40% of the Tech CXOs responding to the PwC-ET Pre Budget Survey 2026 felt that the budget should prioritise funding for domestic AI research and compute infrastructure

Industry expectations

- Focus on sustained and long-term investment by the government in compute, data centres and cloud capacity
- Targeted skilling for roles which benefit the development of the Artificial Intelligence (AI) ecosystem
- Higher outlays for the IndiaAI mission
- Affordable access to Graphics Processing Unit (GPUs) and cloud resources
- Continued support for foundation models, open-source AI and deep-tech R&D
- Targeted funding for AI deployment in priority sectors

Impact

- Funding for national technology missions is expected to speed up India's growth in AI, quantum technologies and R&D-led IT services

Major announcements

- National Technology and Innovation Support through AI Mission; National Quantum Mission; Anusandhan National Research Fund; and Research, Development and Innovation Fund
- High-Powered 'Education to Employment and Enterprise' Standing Committee on Services Sector and Emerging Technologies as a core driver of Viksit Bharat 2047
- Tax holidays for promoting Data-centre in India

04

Key tax and regulatory proposals

Tax rates

Income-tax

- No change in personal tax rates. Refer to Annexure-I for applicable tax rates under the new personal tax regime (NPTR).
- No change in corporate income-tax rates.
- Concessional 15% (headline) tax rate for non-holiday period to International Financial Services Centre (IFSC) Units.
- Minimum Alternate Tax (MAT) to be reduced to 14% from erstwhile rate of 15%.

Excise

- From 1 May 2026, the National Calamity Contingent Duty rate on chewing tobacco, jarda scented tobacco and other tobacco products including gutkha will be increased from 25% to 60%. The effective rate is to be maintained at 25%.
- The value of biogas or compressed biogas (CBG) and the appropriate Goods and Services Tax (GST) paid on biogas or CBG contained in blended compressed natural gas (CNG) is to be excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG, with effect from 2 February 2026.
- Implementation of levy of additional excise duty of INR 2 per litre on unblended diesel is deferred till 31 March 2028.

Customs

- Basic Customs Duty (BCD) exemption is to be extended to capital goods for use in manufacturing of lithium-Ion cells for batteries used in stationary energy storage applications, i.e. battery energy storage systems.
- Exemption from BCD is to be extended to goods for setting up of specified nuclear power project, irrespective of their capacity, as certified by a designated officer of the Department of Atomic Energy. The validity of this exemption is to be extended to 30 September 2035, including for contracts already registered with the Customs Houses on or before 30 September 2035.
- BCD exemption is to be extended to raw materials for manufacture of components or parts of aircraft or for maintenance, repair or overhauling provided that the goods are imported by public sector units under the Ministry of Defence. The exemption is subject to compliance with Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules, 2022) and relevant certification.
- BCD exemption for components or parts of aircraft, imported by importers other than the Defence public sector undertakings, for the manufacture of aircraft and parts, is to be subject to compliance with the IGCRS Rules, 2022.
- The BCD rate on import of dutiable goods for personal use is to be reduced from 20% to 10%, with effect from 1 April 2026, with changes in value of duty-free entitlement.
- Exemption from Social Welfare Surcharge is to be withdrawn.

Key takeaway:

The government is to continue with its objective to incentivise critical sectors including IFSC, apart from realigning the baggage entitlement vis-à-vis the changed economic and business scenario.

Tax certainty

Income-tax

- Exemption is granted for five FYs on the income accruing or arising outside India of a non-resident individual who is visiting India to render services under the scheme (to be notified) of the Central Government.
- The exemption on redemption of sovereign gold bonds (SGBs) is now only available when an individual satisfies twin conditions of i) subscribing to such SGBs at the time of original issue and ii) holding them continuously until maturity.
- A new amnesty scheme is introduced for small taxpayers under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act), for voluntary declaration of foreign assets and foreign-sourced income on the payment of tax or fee, with immunity from further tax, penalty and prosecution.
- Provisions relating to house property under the new tax law are aligned with the old tax law, including certainty on the deduction for prior-period interest payable on borrowed capital.
- In order to reduce and settle the pending litigation relating to –
  - jurisdiction of the Assessing Officer (AO) in income escaping assessments, it is being clarified, with retrospective effect from 1 April 2021, that the issuance of reassessment notice and the pre-assessment enquiry are to be undertaken by the Jurisdictional AO and not the Faceless AO.
  - requirement of quoting a Document Identification Number (DIN), it is being clarified, with retrospective effect from 1 October 2019, that an assessment shall not be invalid merely on the ground of omission to quote the DIN, provided the assessment order is otherwise linked to a DIN in any manner.
  - Time limit for completing assessment for cases referred to Dispute Resolution Panel (DRP), the statutory limitation period under Section 153 would apply, with retrospective effect from 1 April 2009, for issuance of the draft assessment order. For passing the final order, the timelines would be governed by Section 144C.
- The due date for deduction of employee contribution to statutory funds is proposed to be aligned with the treatment of employer contribution i.e. deduction when contribution is deposited on or before the return filing due date.
- Advance Pricing Agreement (APA)
  - Under the existing provisions, the facility to file a modified return of income is available only to a taxpayer who has entered into an APA. However, such modified return cannot be filed by the Associated Enterprise (AE) the income and tax liability of which is correspondingly modified consequent to the APA.
  - It is proposed to extend the facility (effective FY26-27) of furnishing a return or modified tax return within three months to AE(s) the income of which is impacted as a result of an APA for FYs covered by such APA.
- Fast-tracking of unilateral APAs for IT services and processing of unilateral APAs (detailed rules are awaited).

Key takeaway:

- To enable resolution of legacy cases or inadvertent non-disclosure of foreign assets, a time-bound voluntary compliance scheme is introduced for small taxpayers.
- No tax exemption in case of purchase and sale in secondary market of SGBs.
- In order to reduce litigation and to bring clarity, retrospective amendments have been introduced to nullify certain judgments [such as Bombay High Court in case of Hexaware Technologies Ltd. (2024) 464 ITR 430; Delhi High Court in case of Brandix Mauritius Holdings Ltd. (2023) 456 ITR 34; Madras High Court in case of Roca Bathroom Products (P.) Ltd. (2022) 445 ITR 537; Madras High Court in case of Pfizer Healthcare India (P.) Ltd. (2021) 433 ITR 28] on procedural irregularities.
- Amendment regarding deduction of employees' contributions seems to nullify the impact of the Supreme Court's ruling in case of Checkmate Services Pvt. Ltd. (2022) 448 ITR 511 prospectively. It is expected to provide relief and improve taxpayers' cash flows by protecting against permanent disallowance.
- The extension of the modified return facility and the fast-tracking of unilateral APAs aim to enhance the efficiency and effectiveness of the APA programme in India covering IT services. These changes are expected to reduce litigation, provide greater tax certainty and improve the ease of doing business for multinational enterprises operating in India.

GST

- The specific place of supply provision for intermediary services is omitted. The place of supply for intermediary services is to be determined as per the location of the recipient of such services. The amendment is proposed to be effective from the date of enactment of the Finance Act.
- **Amendments in credit note and discount provisions**
  - Section 15(3)(b) of the Central Goods And Services Tax Act, 2017 (CGST Act) is substituted to provide that reduction in value of supply on account of post-sale discounts may be granted where a credit note is issued under section 34 of the CGST Act and input tax credit (ITC) as is attributable to such discount has been reversed by the recipient of the supply.
  - The requirement that discount must be established in terms of an agreement entered before or at the time of supply and specifically linked to relevant invoices is removed. The amendment is to be effective from a date to be notified.
- An amendment is introduced to empower the Central Government to notify any existing authority [including the Goods and Services Tax Appellate Tribunal (GSTAT)] to hear appeals until the constitution of the National Appellate Authority for Advance Rulings (NAAAR).

Key takeaway:

- The amendment with respect to intermediary services will put the current controversy i.e. whether these will qualify as export of services or not to rest, thereby providing greater certainty to taxpayers and enhancing global competitiveness of Indian service providers. Conversely, this amendment will result in levy of IGST on reverse charge basis on import of intermediary services.
- Amendments pertaining to scope of eligible discounts are expected to help resolve the credit accumulation in the downstream value chain.
- Until the constitution of the NAAAR, conferring powers upon GSTAT is expected to facilitate faster disposal of appeals.

Customs

- Extension of the BCD exemption for specified goods/ sectors/ end use (Notification No. 45/2025 - Customs dated 24 October 2025), upto 31 March 2028, is as described below:

Description
Parts and raw materials for manufacture of goods are to be supplied in connection with the purposes of offshore oil exploration or exploitation
Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations
New or retreaded pneumatic tyres of rubber of a kind used in aircrafts
New or retreaded pneumatic tyres of rubber of a kind used in aircrafts
Goods for manufacture or the maintenance of wind-operated electricity generator components
Parts and components for manufacture of tunnel-boring machines
Lithium-ion cell for use in the manufacture of battery or battery pack of electric vehicle or hybrid motor vehicle
Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)
Raw materials for manufacture of aircrafts and parts of aircrafts
Components or parts including engines, of aircraft for manufacture of aircraft
Machinery, electrical equipment, other instruments and their parts except populated printed circuit boards (PCBs) for use in the fabrication of semiconductor wafer and liquid crystal display
Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips
Parts and components for use in the manufacture of goods like micro automated teller machines, fingerprint reader/ scanner, iris scanner and miniaturised point-of-sale card reader
All parts for use in the manufacture of light-emitting diode (LED) lights or fixtures including LED lamps
All inputs for use in the manufacture of LED driver or metal core printed circuit Board for LED lights and fixtures or LED lamps
Specified goods for use in the manufacturing of microphones
Parts, components and accessories except lithium-ion cell and printed circuit board assembly (PCBA) for use in manufacture of lithium-ion battery and battery pack
Inputs, parts or sub-parts for use in the manufacturing of PCBA of lithium-ion battery and battery pack

Key takeaway:

- The extension of exemption validity is in line with the stated objective of continued incentives for critical or trade focus sectors relevant for encouraging domestic industry or sectoral initiatives.

Ease of doing business

Income-tax

- In order to ease compliance burden of small taxpayers, it is proposed that the payee may make an application for lower or nil deduction of tax electronically to a prescribed tax authority, who may issue a certificate upon fulfillment of prescribed conditions. The category of taxpayers and other related conditions is to be prescribed by the Board.
- The requirement for pre deposit of demand for seeking stay on recovery proposed to be reduced from 20% to 10% and to be determined on the core tax demand. Updated instruction/ circular awaited in this regard.
- In order to reduce compliance burden, it is proposed to remove the requirement to obtain tax deduction and collection account number (TAN) by a resident buyer purchasing an immovable property from a non-resident. This is made effective from 1 October 2026.
- Due date of filing revised return of income to be extended from 9 months to 12 months from the end of relevant tax year, subject to payment of prescribed fee. This is applicable for FY25-26 and subsequent years.

Key takeaway:

The proposal to reduce the pre-deposit requirement for seeking a stay on recovery during litigation is a welcome relief and will ease cash-flow pressures on businesses, thereby making dispute-resolution process more efficient.

GST

- 90% provisional refunds of unutilised ITC are to be allowed in inverted duty structure (IDS) cases, similar to zero-rated supplies.
- The threshold limit (currently INR 1,000) is removed for GST refunds arising on export of goods made with payment of tax.
- The amendments are to be effective from a date to be notified.

Key takeaway:

- Granting legislative force to allow 90% provisional refunds of unutilised ITC in IDS cases is anticipated to provide certainty to the industry.
- The measure of removing threshold limit for exports made on payment of GST is aimed at providing refunds to small-scale exporters who are exporting low-value products through courier or postal modes.

Customs

- As a one-time measure, eligible manufacturing units in special economic zones (SEZs) are to be allowed to undertake Domestic Tariff Area sales at concessional rates of duty. The entitlement of such sales is to be limited to a prescribed proportion of exports. Suitable changes in law/ regulations are to be made.
- A 'Common Integrated System' for faster cargo clearances requiring approvals/ examination from other authorities is to be rolled out in two years. Where no compliance is required, the bill of entry filed by a trusted importer will, upon arrival of goods, automatically notify Customs, allowing instant release. Regular importers with trusted long-standing supply chains will be recognised in the risk system. This will minimise repeated verification of their cargo.
- To incentivise small businesses to access global markets through e-commerce, the current value cap of INR 1m per consignment on courier exports is to be completely removed. Procedural facilitation is to be proposed for the rejection/ return of such consignments.
- The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is to be extended from six months to 12 months for textile/ leather garments and leather/ synthetic footwear sector (including shoe uppers).
- Additionally, following changes are to be introduced in the customs law proposed or operationalised to enhance clarity through simplified procedures:
  - Validity of advance ruling to be extended from three years to five years or till there is a change in law or facts based on which the advance ruling is pronounced.
  - Requirement of prior permission for removal of warehoused goods from one bonded warehouse to another is to be removed. However, it is allowed subject to conditions yet to be prescribed.
  - Effective 1 March 2026, the period of deferred duty payment benefit for an Authorised Economic Operator is to be extended to 30 days (earlier 15 days) for Tier 2 and 3 status holders.
  - Benefit of duty deferment is to be extended to eligible manufacturer importers upto 31 March 2028.

Key takeaway:

- The proposed measure aligns with the broader vision of Budget 2026 to enhance ease of doing business and strengthen India's trade infrastructure. These steps are expected to give much-needed momentum to the textile and garment industry, which has been facing pressure from global demand shifts and geopolitical uncertainties, by improving cost competitiveness and stabilising export-linked supply chains.
- These measures are to enable trade to optimise working capital requirements. They simultaneously provide certainty, including the avoidance of potential long-term disputes.

Regulatory

Micro, small and medium enterprises	TReDS is mandatory as the transaction settlement platform for all purchases by Central Public Sector Enterprises from MSMEs.
Foreign investment	Individual Persons Resident Outside India (PROI) are permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme, wherein the investment limit for individual PROI is proposed to be increased from 5% to 10%, with an overall limit for all PROI to be increased from 10% to 24%.
Mining	As a part of the Scheme for Rare Earth Permanent Magnets launched in November 2025, support is proposed to be extended to mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu. This will establish dedicated 'Rare Earth Corridors' to promote mining, processing, research and manufacturing.
Special Economic Zone	A special one-time measure is to facilitate sales in domestic tariff areas at a concessional rate of duty by eligible manufacturing units of special economic zones.
Manufacturing	A Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) is introduced to strengthen domestic manufacturing of high value, technologically advanced CIE.
Semi-conductor	India Semiconductor Mission 2.0 is launched to produce equipment and materials, design full stack Indian intellectual property and fortify semiconductor supply chains.
Chemicals	A scheme is introduced to support states in establishing three dedicated chemical parks through challenge route using a cluster-based plug and play model to boost domestic chemical production and reduce imports.
Technology	An integrated technology-driven textile programme is introduced to modernise fibre production, clusters, skills and value-added technical textiles. Hi-tech tool rooms are established at two locations to locally design, test and manufacture high precision components at scale and at lower cost.

Education	• The Indian Institute of Creative Technologies, Mumbai, is to establish Animation, Visual Effects, Gaming and Comics Content Creator Labs in 15,000 secondary schools and 500 colleges. • A new National Institute of Design is to be established in eastern India via a challenge route process. • States are to be supported, via a challenge route, to create five university townships near major industrial and logistics corridors. • Viability gap funding or capital support is to be provided to establish one girls' hostel in every district, especially to support girl students in Science, Technology, Engineering and Mathematics institutions. • The National Institute of Hospitality is to be established by upgrading the National Council for Hotel Management and Catering Technology. • A pilot scheme is to be launched to upskill 10,000 tourist guides at 20 iconic sites. • Professional institutions, namely the Institute of Chartered Accountants of India, Institute of Company Secretaries of India and the Institute of Cost Accountants of India, are to be facilitated to develop 'Corporate Mitras', especially in Tier II and Tier III towns, to help MSMEs meet compliance requirements at affordable cost. • A National Destination Digital Knowledge Grid is to be created to digitally document all cultural, spiritual and historically significant places. This will generate new jobs for local researchers and historians, content creators and technology partners.
Textile	• A National Fibre Scheme is introduced to achieve self-reliance in natural fibres (silk, wool and jute), manmade fibres and new-age fibres. • A Textile Expansion and Employment Scheme is introduced to modernise traditional clusters through capital support for machinery, technology upgradation and common testing and certification centres. • A National Handloom and Handicraft Programme is introduced to integrate and strengthen existing schemes and provide targeted support to weavers and artisans. • A Tex-Eco Initiative is introduced to promote globally competitive and sustainable textiles and apparel. • The textile skilling ecosystem is upgraded through Samarth 2.0 in collaboration with industry and academic institutions. • Mega Textile Parks are proposed to be establish with a focus on enhancing value addition in technical textiles.
Sports	A dedicated initiative is proposed for sports goods to position India as a global hub for high quality, affordable sports equipment by promoting manufacturing, research and innovation in equipment design and material sciences.

Attracting global investments

Income-tax

- Income of foreign companies earned in India from procuring data centre services from specified data centre is proposed to be exempted upto 31 March 2047, subject to following conditions inter alia:
  - foreign company to be notified by the Government
  - Specified data centre to be set up under an approved scheme and to be owned and operated by an Indian company
  - sales to users in India to be made through Indian reseller
- In order to promote manufacturing in India, a five-year income tax exemption (till FY30-31) is proposed for a foreign company supplying capital goods, equipment or tooling to a toll manufacturer of electronic goods located in a bonded customs zone in India, subject to prescribed conditions.
- The tax holiday period for units in the IFSC is to increase to 20 consecutive years (earlier 10 years) out of 25 (earlier 15 years) and 20 (earlier 10 years) consecutive years for Offshore Banking Units (OBUs).
- Deemed dividend exemption for global treasury centres is to be restricted where both parent entity and transacting entity is located in a country or territory outside India, as may be notified.

Key takeaway:

- Tax break provided to foreign companies until 31 March 2047 aims to boost India's datacentre ecosystem and attract longterm digital investment.
- The exemption granted for the supply of capital goods and related equipment by a foreign company will enable contract manufacturers in India to rely on the foreign principal's capital equipment, without incurring heavy upfront investment The measure significantly reduces capital expenditure and helps lower overall production costs.
- The extension of the tax holiday for OBUs and IFSC units to 20 years, alongside the concessional tax rate of 15%, marks a significant policy boost aimed at ensuring long-term tax certainty. This forward-looking measure is expected to promote and accelerate the establishment of new IFSC units and making it a global/ regional hub for financial services. It will also provide meaningful support to early entrants that are scaling their operations and approaching the end of their existing tax-holiday period.

Rationalisation and simplification

Income-tax

- The due date for filing Income-tax Returns is extended from 31 July to 31 August for
  i. taxpayers having profits and gains from business or profession or
  ii. partners of a firm

  whose accounts do not need to be audited and to whom the transfer-pricing provisions are not applicable. This is made effective from FY25-26 and subsequent years.
- It is proposed to extend the definition of "work" to include "supply of manpower" within the ambit of payment to contractors for applicability of Tax Deducted at Source (TDS) provisions.
- Rates of Tax Collected at Source (TCS) have been rationalised to provide uniformity. Particularly, in case of remittance under Liberalised Remittance Scheme (LRS) for education and medical treatment and overseas tour package, rates have been reduced to 2%. Details are provided in Annexure-II.
- **MAT**
  – MAT paid by companies (not opting for concessional tax regime) to be treated as final tax - no new MAT credit and its carry forward to be allowed
  – For domestic companies opting for concessional tax regime on or after 1 April 2026 - set-off of MAT credit to be allowed and capped at 25% of tax liability and balance to be carried forward (subject to original period of fifteen years)
- Interest expenses shall not be allowed as a deduction against income from i) dividend or from ii) units of mutual fund.
- Immunity from penalty and prosecution extended to cases of misreporting of income on payment of additional tax amounting to 100% (120% in respect of unexplained credit/ expenditure etc.). However, such immunity shall not be granted in case any prosecution proceedings have been initiated.

- Certain penalty provisions converted to a fee structure as follows:

Nature of Penalty	Existing provision	Proposed provision
Failure to get accounts audited or to obtain audit report as required	Penalty equal to the lower of: (i) 0.5% of total sales/turnover/gross receipts in business or profession for such tax year(s), or (ii) INR 150,000.	Penalty converted into a graded fee of graded fee of INR 75,000 for a delay up to 1 month for which such failure continues and INR 150,000 thereafter.
Failure to furnish accountant's report (for persons entering into international transaction or specified domestic transactions)	Fixed penalty of INR 100,000.	Penalty converted into a graded fee of INR 50,000 for a delay up to 1 month for which such failure continues and INR 100,000 thereafter.
Failure to furnish statement of financial transaction or reportable account	Penalty of INR 500 per day for every day during which the failure continues.	Penalty converted into a fee of INR 200 per day for every day during which the failure continues, subject to maximum fee of INR 100,000.
	Penalty of INR 1,000 per day for every day during which the failure continues, if the person does not furnish the statement where a notice is issued by tax authorities.	The upper cap of INR 100,000 is provided.

- A new penalty of INR 200 per day for delay and INR 50,000 for inaccurate particulars in statement on transaction of crypto-asset introduced.
- Penalty enhanced from INR 1,000 to INR 25,000 in case of failure to furnish information to the income tax authorities.
- It is proposed that a common order of assessment/ reassessment proceedings and penalty will be passed with effect from 1 April 2027 to avoid multiplicity of proceedings.
- Rationalisation/Decriminalization of offences
  - The nature of punishment under specified sections has been rationalised to simple imprisonment from existing provisions of rigorous imprisonment.
  - Maximum punishment is proposed to be capped at 2 years and for the subsequent offences, reduced to 3 years.
  - Monetary thresholds for initiation of prosecution proceedings have been enhanced and thresholds introduced for certain other offences.
  - Prosecution proceedings not to be initiated in cases where the tax amount involved does not exceed INR 1m, with only fine being applicable.
  - Imposition of fine is introduced in lieu of or in addition to imprisonment.
  - Certain offences are fully decriminalized.

- Buy-back of shares by promoters – taxed as capital gains from 1 April 2026
  - Treatment of consideration received on the buy-back of shares or specified securities is to be chargeable to tax as 'capital gains' instead of being treated as dividend income.
  - Where the shareholder or holder of specified securities is a promoter (defined below), the income tax payable on such capital gains is the aggregate of tax payable under the capital gains provisions and additional income tax payable as follows:

Nature of capital gains	Current tax rate*	Proposed tax rate (current + additional income tax)	
		where the promoter is a domestic company*	where the promoter is other than a domestic company (including foreign company)*
Buy-back of listed equity shares			
Short-term capital gains	20%	22% (20%+2%)	30% (20%+10%)
Long-term capital gain	12.5%	22% (12.5%+9.5%)	30% (12.5%+17.5%)
Buy-back of shares other than listed equity shares			
Short-term capital gains	at applicable rates	at applicable rates	at applicable rates
Long-term capital gain	12.5%	22% (12.5%+9.5%)	30% (12.5%+17.5%)

*The above rates are headline rates exclusive of applicable surcharge and cess.

- Promoters' is defined to mean:
  - For a listed company: as defined under Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018
  - For others: as defined under the Companies Act, 2013, or any person who holds (directly or indirectly) more than 10% of the company's shareholding
- Proposal to increase the rate of Securities Transaction Tax (STT) with effect from 1 April 2026, as follows:

Transaction type	Existing rate	Revised rate	Basis of levy
Options – Sale of option	0.10%	0.15%	On option premium
Options – Exercised	0.125%	0.15%	On intrinsic value
Futures – Sale of futures	0.02%	0.05%	On traded price

- Expansion of scope of Updated return of income
  - Filing of updated return of income now allowed to taxpayers for reporting reduction in losses as compared to the loss claimed in the original return of income;
  - Filing of updated return of income allowed pursuant to issuance of reassessment notice, subject to payment of an additional 10% of the aggregate tax and interest over and above the tax payable on account of updated return of income. No penalty for under-reporting or misreporting will be imposed on the income reported in such updated return of income.
- Rationalisation of safe harbour regime
  - Safe harbour rules (SHR), though available for several years, have not been widely utilised by taxpayers. Recognising this, the SHR framework is proposed to be modernised and rationalised.
  - The scope of SHR is proposed to be significantly expanded, with detailed operational rules to be notified. In essence:
    i. The categories of software development, information technology-enabled services, knowledge process outsourcing and contract research and development services relating to software development are proposed to be consolidated into a single 'IT Services' category, with a uniform margin of 15.5% on cost.
    ii. The turnover threshold for availing SHR is proposed to be increased to INR 20bn.
    iii. An automated rule-based approval without any examination and approval by the tax officer is proposed.
    iv. For the 'IT Services' category, the safe harbour option can be exercised for a block of five years. This will provide medium-term stability and predictability in transfer-pricing margins.
    v. The scope of SHR is proposed to be expanded to cover following additional activities:
      - Provision of data centre services by an eligible taxpayer on a cost plus 15% margin
      - Component warehousing in a bonded warehouse by non-resident at 2% of the invoice value
- Clarification on time limit for Transfer Pricing Officer (TPO) orders
  - To reduce litigation and remove ambiguity regarding the computation of the time period available to the TPO for passing an order, it is proposed to clarify how this period (60 days/ one month) should be calculated in situations where the statutory time limit for completion of assessment or reassessment expires on specific dates.
  - Where the assessment time limit expires on
    - 31 March (non-leap year), the TPO may issue the order up to 30 January of that year;
    - 31 March (leap year), the TPO may issue the order up to 31 January;
    - 31 December, the TPO may issue the order up to 1 November or 31 October, as the case may be.
  - The abovementioned clarification applies retrospectively from 1 June 2007 onward.

- Rationalisation of penalty provisions for failure to file Accountant's Report (Form 3CEB)
  - Penalty for failure to furnish a report from an accountant, under 'to be furnished by persons entering into international transaction or specified domestic transactions', currently levied at INR 100,000, is proposed to be converted into a mandatory graded fee as follows:
    i. a sum of INR 50,000 (for a delay of up to one month for which such failure continues); and
    ii. a sum of INR 100,000 thereafter.
  - This applies from FY26-27 onwards.
- Tonnage Tax Scheme
  - The tonnage tax scheme is amended to align with the specified Inland Vessels Act 2021.
  - Inland vessels are proposed to be explicitly included within the core activities of a tonnage tax company so that on-board and on-shore activities of such inland vessels are treated as core activities.
- Joint Committee of the Ministry of Corporate Affairs and Central Board of Direct Taxes is proposed to be set-up to integrate Income Computation and Disclosure Standards (ICDS) into Ind AS, eliminating separate ICDS-based accounting from FY27-28.

Key takeaway:

- Tax on buy-back is to revert to a capital-gains tax event for all shareholders, subject to tax treaty benefits (if any). Promoters to bear additional tax on buy-back.
- Relief is provided to certain taxpayers through extension of time limits for filing tax returns and provision of tax exemptions on certain specific income.
- Amendments in MAT regime clearly aim at accelerating the shift to concessional tax regime.
- Penalty proceedings are now proposed to be merged with assessment proceedings to obviate multiplicity of proceedings. Whilst this would be kept in abeyance till the order of the appellate authorities, this inter alia may have a negative impact on the contingent liability schedule in the balance sheet of the taxpayer.
- The proposed changes in SHR aim to make it more attractive, effective and aligned with the broader policy objective of ease of doing business and certainty in transfer-pricing outcomes. It is likely to provide further fillip to India's burgeoning services sector.
- Enabling updated return of income filing in cases of reduced losses and reassessments will encourage increased compliance.

Customs

- Re-alignments in Customs Tariff Act, 1975, notified, with effect from 1 May 2026 in terms of:
  - Rationalisation of existing BCD rates for specified tariff lines owing to realignment and simplification of exemption notification with no change in BCD rate incidence
  - Creation of new tariff lines in certain chapters

Illustrative examples are as follows:

Description	Chapter/ tariff heading	Earlier BCD	New effective BCD
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	2701, 2702, 2703	5%	2.5%
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	4906	10%	Nil

- The value limit of duty-free imports of specified goods imported for use in processing of seafood is to increase from 1% to 3% of the Free on Board value of seafood products exported during the preceding FY.
- As part of the periodic review, specified exemptions are set to lapse on 31 March 2026 for specified imports/ sectors, as described below.

Description
Permanent magnets for manufacture of synchronous generators above 500KW, for use in wind-operated electricity generators
X-ray tubes used in the manufacture of X-ray machines for medical, surgical or veterinary use
Flat panel detector for use in the manufacture of X-ray machines for medical, surgical or veterinary use
Cash dispenser or automatic banknote dispenser and its parts and components
Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team
Photographic, filming and sound recording of foreign origin, if imported into India after having been exported there from
Parts and components of digital still-image video cameras
Raw materials or parts for use in the manufacture of e-readers
Parts of video games for the manufacture of video games

Key takeaway:

- The government is to continue with its periodic alignment and simplification of duty rates, including meeting the dynamic trade requirements.
- The government is to withdraw the benefits where India has substantive manufacturing facility or the imports are insignificant.

Annexure-I: Tax rates (NPTR)

Total income (in INR)	Tax rates
0–400,000	Nil
400,001 to 800,000	5%
800,001 to 1,200,000	10%
1,200,001 to 1,600,000	15%
1,600,001 to 2,000,000	20%
2,000,001 to 2,400,000	25%
Above 2,400,000	30%

Annexure-II: TCS Rates

Sections under old law	Sections under new law	Description	Current Rate	Proposed rate
206C(1)	394(1)	Sale of alcoholic liquor for human consumption	1%	2%
		Sale of tendu leaves	5%	2%
		Sale of scrap	1%	2%
		Sale of minerals, being coal or lignite or iron ore	1%	2%
206C(1G)(a)	394(1)	Remittance under the LRS of an amount or aggregate of the amounts exceeding INR 1m	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
206C(1G)(b)	394(1)	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 INR 1m; b) 20% of amount or aggregate of amounts exceeding INR 1m.	2% without any threshold limit

05

Industry speaks

Ankur Sharma
India Tax Head
Adobe India Pvt. Ltd.

"The Transfer Pricing changes in Union Budget 2026 are really far reaching and will create tremendous positive impact in terms of making India even more attractive for GCC investment. The clubbing of all connected services viz., Contract R&D, IT services and KPO services into one category and increasing of threshold for safe harbour to 5 years with a very attractive rate of 15.5% is a very welcome move."

Anuprita Mehta
Tax Head
ArcelorMittal Nippon Steel Private Limited

"The Union Budget 2026 strikes a strong balance between fiscal consolidation and growth, maintaining the fiscal deficit at 4.3% of GDP.

Investments in freight corridors, waterways and high-speed rail will boost logistics competitiveness for core sectors like steel. An operator-centric customs warehousing regime will ease working-capital pressures and speed up import clearances.

New Income-tax Act, 2025, simplification of compliance, and revised TCS regimes reflect a stable and predictable tax environment aimed at reducing litigation and improving ease of doing business.

Overall, this is a structurally forward-looking Budget that strengthens India's manufacturing ecosystem, and aligns with industry needs for competitiveness and sustainability."

Anurag Goel
Head of Direct Tax
Samsung India Electronics Pvt Ltd

"The Union Budget 2026 reflects a focused approach to encourage manufacturing ecosystem in India. The continued focus on infrastructure development, MSME enablement, and services-led growth will strengthen supply chains and improve operational efficiency. The government's emphasis on fiscal discipline and long-term policy stability provides global manufacturers with the confidence to expand investments in India. While additional incentives for electronics manufacturing and R&D would have further accelerated sectoral growth, the overall direction of the Budget is positive and aligned with India's vision of becoming a global manufacturing and innovation hub."

Arghya Chaudhuri
Finance Director
CSC India

"This budget is very constructive and leads to a bright, confident future of Indian Economy. In spite of early hurdles this leads to self-reliance, growth, strength and prosperity of India."

Deepanshu Jain
Head of Taxation
WSP in India

"Safe Harbor Rules for the IT & ITES sector are a welcome move to bring greater certainty in taxability and reduce prolonged transfer pricing litigation. By prescribing clear margins, the government has acknowledged the sector's strategic importance and compliance challenges. This step strengthens investor confidence and reflects a focused, facilitative approach towards India's IT & ITES industry."

Dhiren Shah
Group Tax Head
Adani Group

"Union Budget 2026 boosts infrastructure with ₹12.2 lakh crore capital outlay, launching seven high speed rail corridors, 20 national waterways and an Infrastructure Risk Guarantee Fund to spur private investment. Tax measures include extending IFSC tax holidays and clarifying MAT credit. Procedural dispute relief and decriminalization are welcome. Restoring buy back capital gains aids small shareholders but raises promoter taxes."

Gopichand M
Vice President - Group Head of Tax
Vedanta Limited

"Budget 2026 proposals seek to boost manufacturing competitiveness by providing tax exemption to foreign companies providing capital equipment to electronic goods manufacturers in custom bonded areas. It also supports the expansion of critical mineral exploration by broadening the list of minerals eligible for prospecting and exploration related tax deduction. The extension of the deduction period for IFSC units further strengthens India's financial services ecosystem. Additional measures to reduce tax disputes, broaden safe harbour provisions, and improve clarity in cross border supply chain tax positions are expected to significantly boost certainty and investor confidence."

Manik Malik
CEO
BPTP Limited

"The Union Budget 2026 reinforces policy continuity through sustained infrastructure investment and a focused urbanization agenda, which together provide structural support to real estate demand across Tier-1 and Tier-2 markets. Enhanced urban mobility and integrated housing frameworks are expected to strengthen demand resilience and deepen regional property markets.

The Budget's calibrated push on manufacturing competitiveness through tariff and input cost rationalization, addresses key supply-side constraints, supporting employment generation and medium-term income growth. These macro fundamentals, combined with infrastructure-led spatial expansion, offer constructive signals for the real estate sector and reinforce confidence across the developer, lender, and homebuyer ecosystem."

Nigam Shah
Group CFO
Arvind Limited

"The budget reinforces fiscal discipline and stability while advancing ease-of-business. The added emphasis on skill development and scaling up capabilities is welcome; however, the benefits across technology, textiles, and infrastructure will depend on execution and investment timelines. Net assessment: steady and constructive, but will take time to transform."

Nrupesh Shah
Managing Director
Symphony Limited

"The Budget strengthens micro-fiscal stability through a lower fiscal deficit, improving debt-to-GDP and a consumption-led nominal GDP growth outlook of ~10%. Going forward, a renewed focus on next-generation reforms - land, labour, energy and urban infrastructure, can further catalyse productivity, private investment and sustained high-quality growth."

Piyush Gupta
Leader APAC Tax and Global Transfer Pricing
Concentrix

"Budget 2026 has introduced pragmatic reforms through rationalized and wide scoped safe harbour provisions, extended tax holiday for GIFT units, and statutory clarity on legal issues which is intended to create a stable, predictable and investment-friendly environment for India's services-led growth."

Puja Nalam
APAC Tax Leader
GE Vernova

"I thought presenting Budget 2027 on a Sunday was quite a move, reiterating a professional and committed approach from the Government and the Finance Ministry. Several other aspects on capital allocation, impetus to manufacturing, social development and fiscal consolidation demonstrate path to progress. From a tax perspective, the liberalization of the safe harbour range for arms length margin for IT enabled services at a moderate 15.5% would bring relief to many multinationals. Hope that the big announcement of a 20+year tax holiday for data centers not just attracts desired foreign capital investment but also raises hopes for more of such tax exemptions in the future. Several of the other positive measures also indicate a favourable disposition to taxpayer expectations."

Puneet Mishra
Tax Director
Intel India

"Budget 2026 signals a strategic tax shift - prioritizing commensurate incentives for procurement of services from data center, rationalized compliance, and greater policy certainty by way of safe harbour for IT enabled Services to strengthen India's technology sector and attract long term, high value investments."

Ritesh Banka
Head of Finance
Revolut India

"This Budget marks a significant step towards simpler tax compliances, reduced litigation, and improved ease of doing business in India. Rationalization of safe harbour rules and expanding its coverage to a wide range of Information Technology services with a common safe harbour margin is a major positive move to curb tax disputes. Furthermore, decriminalization of tax defaults will meaningfully add to ease of doing business in India and reduce the time the management must dedicate to tax matters, allowing them to focus on innovation and growth."

Sanjay Ajmera
Country Finance Director
Nokia Solutions and Networks India Private Limited

"The Government has aimed in this budget for tax certainty, ease of doing business and attracting the investment.

The proposed tax exemption to foreign companies providing cloud services to customers globally using data center services from India will significantly boost investments in data centers in India. The measures related to rationalization of safe harbour rules and de-criminalization of certain tax defaults mark a strong push towards tax certainty and ease of doing business."

Simachal Mohanty
Tax Head
Dr. Reddy's Laboratories Ltd.

"This Budget is quite unique one in many aspects such as:

- Promoting ease of doing business - safe harbour for IT Companies, decriminalization of offences, reduction of penalties etc. which were long overdue.
- Bolstering IT Development (Tax Holiday for data centers) & Bio-similar drugs in India.
- Providing clarity, though a retrospective one, in terms of FAO/JAO issue & issue of overall time limit for passing draft vs final assessment order."

Vikrant Tiwari
Senior Manager Taxation
Cvent

"Overall, the Budget adopts a balanced approach to tax policy. The utilization of MAT credit in the new regime and ongoing reliance on safe harbor norms should help reduce transfer pricing disputes in the IT and ITES sectors, benefiting the industry."

Vineet Singhal
CFO
Gaursons Group

"The Union Budget 2026 proposals to connect South India through three high-speed rail corridors - Bengaluru, Chennai and Hyderabad, will be a major catalyst for enhanced regional mobility and economic integration.

Additionally, the recycling of CPSE real estate assets, coupled with the proposed Infrastructure Risk Guarantee Fund offering prudently calibrated partial credit guarantees to lenders, will provide strong institutional support and sustain momentum in India's infrastructure growth story."

Vishwanathan Gopalan
CFO
BNY Mellon India

"The Union Budget presents a forward-looking vision for the economy, with a clear emphasis on growth, stability, and long-term sustainability. By prioritizing capital expenditure, infrastructure development, and support for innovation and manufacturing, it seeks to strengthen economic momentum while maintaining fiscal prudence. Overall, the Budget reflects confidence in India's growth trajectory and a commitment to inclusive and resilient development."

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