Countdown to Budget 2026:

What the industry expects

As India readies Budget 2026, we expect continuity with acceleration in customs reforms anchored towards:

- a trust-based ecosystem for less disputes and more certainty
- the enhancement of ease of doing business for easier and faster trade
- stronger Make in India

Policymakers should pursue a time-bound **Customs amnesty** to:

- Mitigate legacy disputes
- Expand trade facilitation and digitisation—including enhancements across Customs Authority for Advance Ruling (CAAR), Manufacturing and Other Operations in Warehouse Regulations (MOOWR), and the Authorized Economic Operator (AEO) programme to drive risk-based clearances and reduce port dwell times further
- Implement **targeted tariff rationalisation and exemption review** to address duty inversions while possibly deploying **entry-based exemptions** that cushion external tariff shocks
- Recalibrate Special Economic Zone **(SEZ)** norms so that customs duty is limited to the duty foregone on imported inputs

Together, these measures should lower friction, enhance certainty, and improve the cost competitiveness of Indian trade and manufacturing.

The following proposals reflect key reforms that the industry expects from Budget 2026 which would materially advance these objectives.

1. **Reforms for dispute mitigation (Introduction of Customs Amnesty Scheme)**
   India has used amnesty-style programmes successfully in other taxes, but Customs still faces a heavy backlog of disputes and has never had a comparable scheme. A **time-bound Customs Amnesty Scheme** in Budget 2026 could offer practical exit—**partial waiver of disputed duty and full waiver of interest and penalties** for businesses. This would enable quick settlement of legacy cases and faster revenue realisation. This would mirror the calibrated approach seen in Sabka Vishwas (Legacy Dispute Resolution) Scheme, Vivad se Vishwas, and the DGFT Amnesty Scheme. The result would be fewer cases in litigation, more administrative bandwidth for current matters, and greater certainty and closure for businesses.

2. **Tariff rationalisation to support 'Make in India'**

   – **Further pruning of Customs duty slabs:** Continue the exercise carried out in the last budget (wherein customs duty slabs were rationalised to a total of eight slabs) by further pruning the duty rates to an even smaller number of 5–6 slabs. The intent would be to bring in greater certainty and ease for EXIM trade as well as the policymakers.

   – **Budget expectation regarding targeted rate cuts on inputs:** Further calibrated reductions in customs duty on raw materials and intermediates in sectors where free trade agreement (FTA)-reduced finished goods intersect with higher tariffs on such inputs. This will align input and intermediate duties with finished goods rates to remove inversions and support local value addition.

   – **Comprehensive review of** exemptions **with sunset clauses for targeted extensions**:
   A focused and comprehensive review of customs exemptions, especially the ones with nearing sunset clauses. The aim of such review is to allow extensions only where they still advance core priorities—critical inputs, green technology, and strategic manufacturing—paired with sunset dates and periodic impact checks.

   – **Targeted entry-based duty exemptions:** Further expectation may be to see time-bound, entry-specific relief to offset external tariff shocks (for select Geographical Indicator-tagged products), following precedents like last year's bourbon rate cut, to protect downstream competitiveness and consumer prices.

   (The sectoral focus for above may be largely concentrated towards the priority sectors for 'Make in India' such as electronics, semiconductors; renewable energy, EVs; specialty chemicals, and defence/ aerospace.)

3. **Trade facilitation and digitisation to afford ease of doing business**: Budget 2026 should push forward on two fronts—making compliant trade faster and simpler, and deepening end-to-end digitisation of customs processes. Building on a decade of reforms, the focus is expected to be on expanding trusted-trader benefits through the following facilitation and digitisation measures.

   Aspects to watch out for:

   – **Customs Advance Rulings**

     ▪ Expanding capacity by introducing additional CAAR benches may be expected to improve consistency in timely outcomes, curtail disputes at the assessment stage, and reduce litigations

     ▪ Possible extension of the issues on which Advance Rulings can be filed and extending the validity period from three to five years to enhance certainty and reduce compliance burden

   – **MOOWR**

     ▪ Implementation of 'MOOWR-to-MOOWR' digital transfers between customs bonded warehouses is to streamline inter-MOOWR transfers and allow for seamless transferability of goods in the MOOWR ecosystem

     ▪ Clarity on 'space certificate' and other trade facilitative action points to enhance the procedural ease in practical functioning of MOOWR scheme as well as its compliance

   – **AEO**

     ▪ Extension of duty deferment and other benefits for Tier-III status holders so as to differentiate between Tier-II and Tier-III, with a view to create a select pool of low-risk operators with fewer ad hoc interventions

     ▪ More clarity/simplification around AEO eligibility parameters (e.g. legal compliance norms) for greater integration of the trade with this scheme

   – **Trade digitisation**

     ▪ Continued rollout of online modules, tighter system-to-system integration, and clearer, time-bound processes

     ▪ Apart from Phase 2 for bond-to-bond transfers, key moves could include the deeper single-window integration within the Bharat Trade Net so that EXIM stakeholders work off a unified platform for filings, permissions, and clearances.

4. **SEZ reforms**: Shift to an import-content-based duty, taxing only the customs duty foregone on imported inputs while exempting value added within the SEZ, to the extent of SEZ to DTA sales. This would unlock domestic sales, improve capacity use, and align with global practice. Likewise, allowing services to be rendered in DTA in terms of Indian currency as opposed to foreign currency.

Closing thoughts: Preparing for Budget 2026

As we wait for Budget 2026, the direction is clear: a pragmatic approach to faster and more digital trade flows, tariff rationalisation to fix inversions and cushion external shocks, and a targeted extension of time-bound exemptions where justified. Taken together, these moves would lower friction and costs, improve certainty, and strengthen ‘Make in India’.

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