

# UNION BUDGET

## 2026-27

R.C. JAIN & ASSOCIATES LLP

“Budget is the roadmap. Execution decides the destination.”



### KEY HIGHLIGHTS...

A COMPREHENSIVE ANALYSIS  
FOR  
BUSINESSES • PROFESSIONALS



## BUDGET COMMITTEE MEMBERS

### DIRECT TAX

- |                       |                        |
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| 1. CA R C Jain        | 7. CA Namrata Chande   |
| 2. CA Gopal Agrawal   | 8. CA Vinod Kumar Jain |
| 3. CA Meera Joisher   | 9. CA Aruna Wadhwa     |
| 4. CA Manoj Pokharana | 10. CA Dolly Kataria   |
| 5. CA Sheetal Mankani | 11. CA Shubham Singh   |
| 6. CA Dimpi Gala      | 12. Jinal Thakker      |

### **In Association with**

- |                       |                     |
|-----------------------|---------------------|
| 1. Aadish Shetty      | 9. Harsh Bhadra     |
| 2. Aaditya Paryani    | 10. Karthy Mudaliar |
| 3. Amrita Sasi        | 11. Pooja Shinde    |
| 4. Apurva Shrivastava | 12. Prachi Dubey    |
| 5. Aryan Jain         | 13. Sanika Varal    |
| 6. Daksh Darekar      | 14. Selena Surendar |
| 7. Dhruv Jain         | 15. Shivani Shetty  |
| 8. Hardik Tawte       | 16. Soumya Kothari  |

### INDIRECT TAX

- |                     |                    |
|---------------------|--------------------|
| 1. CA Shraddha Vora | 2. CA Bhavya Satra |
|---------------------|--------------------|

### **In Association with**

- |                  |                  |
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| 2. Avadhi Gala   | 5. Aryan Shejwal |
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## Major Highlights of Budget 2025.

### **❖ Income Tax Reforms:**

- **ITR filing spread out further:**  
**ITR 1 & 2:** filing till **31st July**; Non-audit business assessee/trusts till **31st August**.
- **Revised return timeline** extended from **31st Dec** → **31st Mar** with nominal fee of ₹1,000 for total income up to ₹5 lakh, and ₹5,000 for income exceeding ₹5 lakh
- Updated returns **will now be allowed to reduce the amount of loss claimed in an earlier original return filed with losses.** If you earlier filed a tax return showing a loss, you will now be allowed to file an updated return to reduce that loss amount, if needed.
- **Capital gains on buyback treated as taxable, promoters to pay additional buyback tax.** Irrational tax treatment of buyback proceeds as dividend income, while the share cost was claimed separately as capital loss, is now corrected. From now on buyback proceeds will be taxed as capital gains, allowing adjustment of the actual purchase cost, similar to a normal share sale. To address **promoter** influence in buyback decisions, promoters will face higher effective tax—30% for individuals and 22% for **promoter companies**—through an additional buyback tax
- **Securities Transaction Tax (STT) increased as:**
  - Futures STT: 0.02% → 0.05%.
  - Options STT: premium 0.1% → 0.15%; exercise 0.125% → 0.15%.
- TDS on the sale of immovable property by a non-resident to be deducted and deposited through resident buyer's PAN instead of TAN. **This removes the requirement for resident buyers to apply for a TAN only for a one-time property transaction, significantly easing compliance.**(w.e.f 01.10.2026).
- **A one-time 6-month Foreign Asset of Small Taxpayers - Disclosure Scheme (FAST-DS 2026) will be introduced for small taxpayers to voluntarily declare specified foreign assets. This provides an opportunity to regularise past non-disclosures with reduced consequences, encouraging compliance without harsh penal action.**
- If a taxpayer failed to disclose any small foreign assets (other than property) (wherein earlier on Bank account disclosure gained this exemption) with a total value below ₹20 lakh, no prosecution will be initiated giving comfort to small taxpayers for minor or unintentional omissions (retrospective effect from 1.10.2024).

- **Sovereign Gold Bonds: CG exemption only if bought from RBI at original issuance and held to maturity;** Buying SGBs from the secondary market = NO capital gains exemption.
- **TCS on overseas tour packages, education & medical purpose remittances under the LRS reduced to 2% from the earlier 5%/20%**
- Ambiguity on whether supply of manpower should be treated as contract work or as professional/technical services is put to rest. **Supply of manpower is proposed to be specifically treated as “work” i.e Contract, and TDS will be deducted 1% when payment is made to an individual or HUF, and 2% in other cases**
- **Employers can now claim deduction:** for PF, superannuation, or ESIC if deposited on or before the income tax return filing due date
- **Ambiguity on whether Interest expense is deductible** against dividends or mutual fund income, is now put to rest stating that **interest expense is not deductible** against these incomes.
- **MAT exemption for non-residents paying tax on presumptive basis.** This ensures consistent MAT treatment across all specified non-resident businesses under presumptive taxation.
- Interest awarded by the Motor Accident Claim Tribunal **to a natural person(i.e to an individual) will be exempt from Income Tax**, and any TDS on this account will be done away with
- TCS rates increased from 1% to 2% on Alcoholic liquor, scrap & Minerals; Tendu Leaves rationalised from 5% to 2%
- Lower/nil TDS certificate via automated rule-based process for small taxpayers whose total estimated income for the year is lower than taxable limits, or justifies a reduced rate of tax deduction.
- Enable **depositaries** to accept Form 15G or Form 15H from taxpayers holding securities in multiple companies (w.e.f 01.04.2027).
- Allow taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10 % tax rate.
- **MAT rate reduced 15% → 14%**, made final in old regime; **MAT credit set-off** allowed in new regime upto an extent of 1/4th of the tax liability.

## **DIRECT TAX**

### **A. Tax Rates**

#### **❖ Rates of Income Tax:**

- **No changes** in the slab rates for tax under the old and the new tax regime with respect to any of the assessee.
- The rates of surcharge for all the above assessee also remains the same.

### **B. Salary**

#### **Rationalisation of Schedules relating to Provident Funds**

Schedule XI deals with recognized provident funds and how they are taxed under the Income-tax Act.

<b>OLD Rule</b>	<b>New Rule</b>	<b>Reason</b>
Employer must contribute the same amount as employee and credit it every year	This rule will be <b>removed</b>	Because there is already a <b>fixed cap of Rs.7.5 lakh</b> on employer contributions under the new law, so matching contributions is no longer needed.
Fund can apply for recognition if it is exempt from the EPF Scheme	Clarifies that only funds exempted under the EPF Act can apply for recognition	To make the rule clear and aligned with the current EPF system.
Employer can contribute more than employee if <b>salary is less than Rs 500</b> or based on bonus	This rule will be <b>removed</b>	Because the <b>Rs.7.5 lakh</b> cap already controls employer contribution, so this exception is not needed
If employer contributes <b>more than 12% of salary</b> , it becomes taxable	This rule will be <b>removed</b>	It overlaps with the <b>Rs.7.5 lakh cap</b> , so it becomes redundant
Special rules for <b>employees</b> who are also shareholders in the company	This rule will be <b>removed</b>	EPF laws <b>do not treat shareholder-employees</b> differently, and the cap already covers it.
<b>Only 50%</b> of fund money could be invested in <b>Government securities</b>	The <b>50% limit is removed</b>	Current EPF investment rules <b>allow higher government security investments</b> , so this limit is outdated

## **C. Profit and Gain From Business and Profession**

### **ATTRACTING GLOBAL BUSINESS AND INVESTMENT**

**Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of Minimum Alternate Tax**

#### **❖ Background – Minimum Alternate Tax (MAT) and Non-Residents**

- Under the current income tax rules, **certain foreign companies (non-residents)** are **not required to pay Minimum Alternate Tax (MAT)**.
- Also, **non-residents earning income from certain specified businesses**, who choose to pay tax under the **presumptive taxation scheme**, are already **excluded from MAT**.
- However, **not all specified businesses** covered under **presumptive taxation** currently enjoy this MAT exemption.

#### **❖ Proposed Change in the Finance Budget**

- To ensure **uniform treatment**, the government proposes to **extend MAT exemption to two additional specified businesses**.
- These two businesses are
  - i. **Business of operating cruise ships**, and
  - ii. **Business of providing services or technology for setting up an electronics manufacturing facility in India**, when such services are provided to a **resident Indian company**.
- ❖ This amendment will come into effect from **1 April 2026**.

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

- ❖ As the Government wants to give tax certainty to non-resident individuals who come to India to provide services related to a Scheme notified by the Central Government, such individuals will be granted a specific tax exemption .
- ❖ The exemption will apply only if the individual:
  - Visits India **for the first time** to render services connected with a **notified Government Scheme**.
  - Has been a **non-resident for five continuous tax years** immediately before the year in which they visit India to provide services.
  - Fulfils any other conditions that may be prescribed later.
- ❖ The exemption covers **income that accrues or arises outside India**, provided such income:
  - Does not **accrue or arise in India**, and
  - Is **not deemed to accrue or arise in India** under tax law.

- ❖ This exemption will be available for five consecutive tax years, starting from the first tax year in which the individual visits India to render such services.
- ❖ This amendment will come into effect from **1 April 2026**.

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

- ❖ Units located in an International Financial Services Centre (IFSC) and Offshore Banking Units (OBUs) are allowed a **100% tax deduction on certain specified incomes**.

<b>Old Provision</b>	<b>New/Proposed Provision</b>
For IFSC units, this deduction is available for 10 consecutive years out of a total 15 years.	The deduction period for IFSC units is proposed to be extended to <b>20</b> consecutive years out of a total <b>25</b> years. After the deduction period ends, the business income of IFSC units will be taxed at a concessional rate of <b>15%</b> .
For OBUs, this deduction is available for 10 consecutive years.	The deduction period for OBUs is proposed to be extended to <b>20</b> consecutive years.

- This amendment will come into effect from **1 April 2026**.

#### **Rationalisation of certain terms for treasury centres in IFSC**

<b>Old Provision</b>	<b>Proposed Amendment</b>
The Act says that "dividend" does not include any advance or loan between two group entities if	To simplify, it is proposed that the other group entity involved in the transaction must also be located in a country or territory <b>outside India</b> , which will be notified as a valid jurisdiction.
One of the group entities is a <b>Finance Company or a Finance Unit</b> ; and	The parent or principal entity must be listed on a stock exchange outside India.
The parent or principal entity of the group is <b>listed on a stock exchange outside India</b> , except countries/territories that may be specified by the Board	For such purposes, the Central Government will notify the countries/territories in the Official Gazette

#### **Definitions for Clarity:**

- ❖ **"Group entity"**: A **group entity** means a group of companies or organisations that are **linked either by ownership, by working together, by having a big shareholding in each other, or by sharing the same brand name**.
- ❖ **"Parent entity"** or **"Principal entity"**: An entity of which other group entities are subsidiaries, and which :

- (i) Controls more than half of total voting power, either alone or with subsidiaries; or
- (ii) Controls the composition of the Board of Directors.

- ❖ This amendment will come into effect from **1 April 2026**.

## **RATIONALISATION OF CORPORATE TAX REGIME**

### **Rationalization of Minimum Alternate Tax provisions**

- ❖ **Current MAT provisions:**

- As per the Income-tax Act, 2025, companies must pay Minimum Alternate Tax (MAT).
- MAT is calculated on the company's *book profit* at **15%** for all companies except those in International Financial Services Centres (IFSCs).
- If MAT is higher than the regular income tax computed under normal provisions, the company pays MAT instead.

<b>Old Provision</b>	<b>Proposed Amendment</b>
<ul style="list-style-type: none"> <li>• If a company pays MAT higher than its normal tax, the excess is allowed as a <i>tax credit</i>.</li> <li>• This MAT credit can be carried forward for up to <b>15 years</b>.</li> <li>• The credit can be used in future years when the company's normal tax exceeds MAT.</li> <li>• Currently, MAT applies only in the <b>old tax regime</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• MAT paid under the old regime will be treated as a final tax, and no new MAT credit will be allowed.</li> <li>• The MAT rate will be reduced from <b>15% to 14%</b> of book profit.</li> <li>• MAT credit set-off: <ul style="list-style-type: none"> <li>➤ <b>Domestic companies:</b> Can use MAT credit in the new regime, but only up to 25% of their tax liability.</li> <li>➤ <b>Foreign companies:</b> Can use MAT credit in the new regime, but only up to the difference between normal tax and MAT, i.e., only when normal tax exceeds MAT.</li> </ul> </li> <li>• Helps companies smoothly transition from the old tax regime (with exemptions and deductions) to the new tax regime.</li> </ul>

- This amendment will come into effect from **1 April 2026**

## **RATIONALISATION OF OTHER DIRECT TAX PROVISIONS**

### **Amendments regarding the effect to extension of Tonnage tax scheme to Inland Vessels**

Some **changes in the law** are now needed to **align the tax rules with the Inland Vessels Act and its rules**. The proposed amendments are:

❖ **Section 227 – Computation of Tonnage Income**

- One of the Sub-section of the said section provides that the tonnage shall mean the tonnage of a ship or inland vessel, as the case may be, indicated in the certificate referred in the Act.
- Sub-section (4)(a): The word “**certificate**” will now be replaced with “**valid certificate**” to make it clear.

❖ **Section 227(9)(b)(iii) – Valid Certificate for Inland Vessels**

- Currently: “valid certificate” is defined as a certificate issued under Inland Vessels Act, 2021.
- Issue: No separate Tonnage Certificate is issued for inland vessels; the Certificate of Registration already states Net Tonnage.
- Proposal: Replace “**certificate**” with “**Certificate of Registration**” under the Inland Vessels Act, 2021

❖ **Section 228 – Relevant Shipping Income and Book Profit Exclusions**

- Passenger ship operations, whether **performed on the vessel or on land**, are included in the **definition of core activities** for the purpose of determining a **tonnage tax company’s taxable income**.
- Proposal: Amend this to **include inland vessels** under core activities to bring it under its purview.

❖ **Section 232 – Conditions for Tonnage Tax Applicability**

- Currently: Companies must comply with minimum training requirements for trainee officers as per the guidelines issued by the Director-General(DG) of Shipping and notified by the Central Government
- Proposal: Add reference to training guidelines for inland vessels issued by the **Inland Waterways Authority of India (IWAI)**.

❖ **Section 232(13) – Certificate of Training Compliance**

- Currently: Companies must submit a certificate from DG Shipping confirming training compliance along with the income tax return.
- Proposal: Since the designated authority for vessels under Merchant Shipping Act, 1958 and the Inland Vessels Act, 2021 differ, it is proposed to amend the said sub-section to refer to the **designated authority in respect of inland vessels**.

❖ **Section 232(17) – Computation of Average Net Tonnage**

- Currently: Computed in consultation with DG Shipping.
- Proposal: Include **Inland Waterways Authority of India for inland vessels**.

❖ **Section 235 – Definitions**

- Proposal: Add a definition for “**Inland Waterways Authority of India**.”

This Amendment will be applicable from **1st April 2026** .

## D. CAPITAL GAIN

### ❖ Taxation of buyback of shares

Old Provision	New/Proposed Provision
If a company buys back its shares: <ul style="list-style-type: none"> <li>The money a shareholder gets is treated as <b>dividend income</b> and taxed accordingly.</li> <li>The <b>cost of acquiring the shares</b> that are bought back is recorded separately as a <b>capital loss</b>.</li> </ul>	<ul style="list-style-type: none"> <li>The taxation of share buy-backs will be simplified: Money received from buy-back will now be taxed under "<b>Capital Gains</b>" instead of as <b>dividend income</b></li> <li>Special rules for <b>promoters (Other than Companies)</b>: Since promoters have a strong influence on company decisions, including buy-backs, their <b>effective tax rate</b> on gains from buy-back will be <b>30%</b>, which includes <ul style="list-style-type: none"> <li>- Tax at normal rates</li> <li>- Additional tax</li> </ul> </li> <li>For <b>promoter companies</b> The <b>effective tax rate</b> on buy-back gains will be <b>22%</b>.</li> </ul>

This amendment will come into effect from **1 April 2026**.

### Exemption for Sovereign Gold Bond

- ❖ Current Rule provides capital gains tax exemption on income from redemption (maturity payout) of Sovereign Gold Bonds (SGBs) issued by the Reserve Bank of India (RBI) under the Sovereign Gold Bond Scheme, 2015.

These bonds are issued in multiple series over time, each considered a separate issuance.

- ❖ Proposed Change

To ensure consistent application of the exemption across all SGB issuances and match the intended purpose, it is proposed to amend the Section to clarify that:

- The exemption will be available only if the bond was:
- Subscribed at the time of its original issue, and
- Held continuously until maturity and redemption.
- This rule will apply to all Sovereign Gold Bonds issued by RBI, regardless of the series.

The amendment will take effect from **1st April 2026**.

### **Increase in tax rates of Securities Transaction Tax**

- ❖ About Securities Transaction Tax (STT)
- STT was introduced in 2004 to ensure tax is collected efficiently on trades in certain securities done through recognised exchanges.
- The responsibility to collect and deposit STT lies with recognised stock exchanges, mutual funds (for equity schemes), insurance companies, or lead merchant bankers, as applicable.
- STT is now a key part of the securities market and supports transparent trading on exchanges.

#### **Comparison Table: STT Rates (Old vs New)**

Type of Transaction	Old STT Rate	New STT Rate (Proposed)	Tax Base
<b>Sale of an option in securities</b>	0.10%	<b>0.15%</b>	Option premium
<b>Sale of an option where the option is exercised</b>	0.125%	<b>0.15%</b>	Intrinsic value (intrinsic price)
<b>Sale of a future in securities</b>	0.02%	<b>0.05%</b>	Traded price

The amendment will take effect from **1st April 2026**.

### **E. TAX DEDUCTED AT SOURCE / TAX COLLECTED AT SOURCE**

#### **❖ TAX DEDUCTED AT SOURCE**

#### **Tax deduction at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual**

Nature	Current Rate	Proposed Rate
Interest on Compensation received by Motor Vehicles Act, 1988	10% above Rs 50,000/-	<b>No TDS will be deducted</b>

- ❖ The amendment will take effect from **1<sup>st</sup> April 2026**.

### **Application of TDS on Supply of Manpower**

Ambiguity regarding whether to include **supply of manpower as Work** has now been cleared. **Supply of manpower** will be clearly categorized under "work" and TDS to be deducted as **TDS on Contract** in Section 402(47).

- ❖ The amendment will take effect from the **1<sup>st</sup> April, 2026**.

## Allowing deduction to non-life insurance business when TDS, not deducted earlier is paid later

Section	Existing Provision	Proposed Provision	Impact
<b>Schedule XIV, Part B - Computation of profits from non-life insurance business.</b>	Section 35(b)(i)&(ii) disallows expenses where TDS was <b>not deducted</b> or <b>not paid on time</b> .	Provisions are <b>added</b> for TDS-related expenses hereby allowing deductions in the year when TDS is <b>actually paid</b> .	To <b>rationalize</b> the treatment and allow the <b>deduction</b> in the year when TDS is paid, just like other expenses under <b>Section 37</b> .

❖ The amendment will be effective from **April 1, 2026**.

## Relaxation from requirement to obtain TAN by a resident individual or HUF, where the seller of the immovable property is a non –resident

Section	Existing Provision	Proposed Provision	Impact
<b>Section 397(1)(a) of the Income Tax Act,2025</b>	When buying immovable property from a <b>non-resident seller</b> , the buyer (resident individual or HUF) must obtain <b>TAN</b> to deduct tax at source.	Resident individuals and HUFs will <b>not</b> be required to obtain <b>TAN</b> to deduct tax at source when buying immovable property from a <b>NRI</b> seller, hereby allowing them to deduct tax through <b>PAN</b>	To reduce <b>compliance burden</b> exempting them from the <b>TAN</b> requirement for <b>single property transactions</b> .

The amendment will take effect from the 1<sup>st</sup> October, 2026.

## Enabling Electronic Verification and Issuance of Certificates for Lower or Nil TDS Deduction

Section	Existing Provision	Proposed Provision	Impact
<b>Section 395 of the Income Tax Act,2025</b>	The payee must submit a <b>application</b> to the <b>Assessing Officer(AO)</b> for a certificate of <b>lower or nil TDS</b> .	The payee will be allowed to <b>submit the application electronically</b> to the <b>prescribed income-tax authority</b> .	The application process will be simplified with <b>electronic submissions</b> , reducing paperwork for taxpayers.

The amendment will take effect from 1<sup>st</sup> April 2026.

## **Enabling filing of declaration for no deduction of TDS to a depository**

<b>Section</b>	<b>Existing Provision</b>	<b>Proposed Provision</b>	<b>Impact</b>
Section 393(6) of Income Tax Act ,2025	Investors must file separate declarations with each entity responsible for paying the income (e.g., mutual fund, company) for no TDS on dividend, interest, or mutual fund income.	Investors can file the declaration with the Depository, which will forward it to the payees, reducing the number of declarations required to be filed.	The depository will handle the forwarding of declarations, reducing paperwork for the investor.
Time Limit for submitting declarations	Monthly Basis	Quarterly Basis	

The amendment will take effect from the 1<sup>st</sup> April, 2026.

## **❖ TAX COLLECTED AT SOURCE**

**Rationalization of TCS threshold limits is as given below:**

<b>Nature of receipt</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>With effect from</b>
Sale of alcoholic liquor for human consumption.	1%	2%	01.04.2026
Sale of Tendu leaves.	5%	2%	01.04.2026
Sale of scrap.	1%	2%	01.04.2026
Sale of minerals, being coal or lignite or iron ore.	1%	2%	01.04.2026
Remittance under LRS exceeding ₹10 lakh	(a) 5% for education or medical treatment (b) 20% for other purposes	(a) 2% for education or medical treatment (b) 20% for other purposes	01.04.2026
Sale of overseas tour programme package	(a) 5% up to Rs10 lakh (b) 20% above Rs10 lakh	2% without any limit	01.04.2026

## F. International Taxation

### ❖ Transfer Pricing

Sr.No.	Section	Existing Provision	Proposed Provision	Impact
1	<b>169</b>	<p>Under the current law, only a taxpayer who <b>has entered into an Advance Pricing Agreement (APA)</b> can file a <b>modified return</b>, provided that the <b>original return was filed before the APA was signed</b>. The <b>modified return</b> must be filed <b>within three months from the end of the month in which the APA was executed</b>. This allows the taxpayer to adjust their previously reported income and taxes based on the APA.</p>	<p>The proposed change expands this benefit to include associated enterprises (AEs) i.e. the related parties with whom the taxpayer has conducted the transactions covered by the APA. Now, if the APA results in a change in the income or tax liability of an associated enterprise, such AE may file a modified return. The modified return must be in accordance with the APA and limited to the changes specified in the agreement. <b>Effective from 01.04.2026.</b></p>	<p>Ensures consistency in tax treatment across all related parties. Any change in income or tax liability due to APA can be accurately reflected by AEs. It limits disputes and prevents double taxation. Modified returns must strictly follow the APA and cover only the specified adjustments.</p>
2	<b>92CA(3A)</b>	<p>TPO is required to pass order before <b>60 days prior</b> to AO's limitation under Sec 153/153B. The Wording was unclear that whether the <b>last date of limitation</b> is included or excluded. Led to <b>conflicting judicial interpretations</b>.</p>	<p>Now it has been clarified that the <b>last date of AO's limitation shall be included</b> while computing 60 days. Retrospective effect from <b>1 June 2007</b> (1961 Act) and effective from <b>1 April 2026</b> under 2025 Act.</p>	<p>The amendment removes ambiguity in counting the 60 days, aligns with legislative intent, overrides adverse court rulings, and provides certainty in transfer pricing assessments.</p>

## G. RETURN OF INCOME

### Rationalising due dates for filing of return of Income.

#### ❖ Old Due Dates vs New Due Dates (Proposed)

Category of Taxpayer	Applicable ITR Form	Old Due Date	New Due Date (from AY 2026-27)
Individual	ITR-1 / ITR-2	31 July	<b>31 July (No change)</b>
Business/Profession <b>not requiring audit</b>	ITR-3 / ITR-5 / ITR-4	31 July	<b>31 August</b>
Partner of firm <b>not requiring audit</b> (and spouse, if applicable)	ITR-3 / ITR-5 / ITR-4	31 July	<b>31 August</b>
Trusts <b>not requiring audit</b>	ITR-7	31 July	<b>31 August</b>
Company	ITR-6 (Company)	31 October	<b>31 October (No change)</b>
Audit cases (non-company)	ITR-3 / ITR-5 (Audit cases)	31 October	<b>31 October (No change)</b>
Transfer pricing cases (Section 172 applicable)	ITR-3 / ITR-5	30 November	<b>30 November (No change)</b>

### Extending the period of filing revised return.

Aspects/Section No.	Existing Provision	Proposed / Amendment	Impact
Section 263(5) (Income Tax Act, 2025)	31 <sup>st</sup> December	31 <sup>st</sup> March	The assessee will get additional <b>3 months</b> to file the return of income.

- ❖ Currently, a revised return can only be filed within **9 months from the end of the tax year**, limiting taxpayers who file belated returns late. Extending the period to 12 months ensures taxpayers have sufficient time to revise returns.
- ❖ This will be Effective from **01<sup>st</sup> April 2026**.

## H. Assessment, Appeals and Penalties

### Rationalization of prosecution proceedings

- ❖ Amendments proposed in provisions related to Rationalization of prosecution proceedings under Income Tax Act, 2025.

Section as per New Income Tax Act, 2025	Existing Provision	Proposed Provision
Section 473 Contravention of order made under section 247.	The offence is punishable <b>with rigorous imprisonment for a term which may extend up to two years</b> and shall also be liable to fine.	The offence shall be punishable <i>with simple imprisonment for a term up to two years</i> and shall also be liable to fine, thereby reducing the severity of imprisonment.
Section 474 Failure comply with section 247(1)(ii)	The offence is <b>punishable with rigorous imprisonment for a term which may extend up to two years</b> and shall also be liable to fine.	The <i>punishment is proposed to be reduced to simple imprisonment for a term up to six months</i> , or with fine, or with both.
Section 475 Removal, Concealment, transfer delivery property prevent recovery.	The offence <b>attracts rigorous imprisonment for a term which may extend up to two years</b> along with fine.	The offence shall be <i>punishable with simple imprisonment for a term up to two years</i> along with fine.
Section 476 (Lottery, crossword puzzle, benefits or perquisites)	The offence is <b>punishable with rigorous imprisonment</b> for a term not less than three months and which may extend up to seven years along with fine.	<i>These offences are proposed to be fully decriminalised and shall no longer attract criminal prosecution.</i>

Section 476 (Online games and virtual digital assets)	<b>The offence is punishable with rigorous imprisonment</b> ranging from three months to seven years along with fine.	<i>Winnings wholly in kind are excluded from prosecution.</i> In other cases, punishment is graded as follows: <i>simple imprisonment up to two years or fine or both where tax exceeds Rs. 50 lakh; simple imprisonment up to six months or fine or both where tax exceeds Rs. 10 lakh but does not exceed Rs. 50 lakh; and fine only in other cases.</i>
Section 477 Failure to pay tax collected at source.	<b>The offence is punishable with rigorous imprisonment for a term not less than three months</b> and which may extend up to seven years along with fine.	<i>Punishment is proposed to be graded based on the amount of tax involved, with fine-only punishment</i> where the amount does not exceed Rs. 10 lakh.
Section 478 Wilful attempt to evade tax, etc.	<b>The offence is punishable with rigorous imprisonment</b> for a term ranging from three months to seven years along with fine.	<i>Punishment is rationalised and linked to the amount sought to be evaded, with fine-only punishment</i> where the amount does not exceed Rs. 10 lakh.
Section 479 Failure to furnish returns of income.	<b>The offence is punishable with rigorous imprisonment</b> which may extend up to two years along with fine.	<i>Punishment is graded based on the amount of tax that would have been evaded</i> if the failure had not been discovered.
Section 480 Failure to furnish return of income in search cases	<b>The offence attracts rigorous imprisonment which may extend up to seven years</b> along with fine.	<i>Maximum imprisonment is restricted to two years, with fine-only punishment</i> prescribed for cases involving tax not exceeding Rs. 10 lakh.
Section 481 Failure to produce accounts and documents.	<b>Criminal prosecution is attracted</b> for both failure to produce books and failure to comply with directions.	<i>Failure to produce books of account is proposed to be fully decriminalised, while failure to comply with directions shall attract simple imprisonment up to six months or fine or both.</i>

Section 482 False statement in verification, etc.	<b>The offence is punishable with rigorous imprisonment</b> which may extend up to seven years along with fine.	<i>Punishment is proposed to be graded based on the tax impact, with fine-only punishment in lower-value cases.</i>
Section 483 Falsification of books of account or document, etc.	<b>The offence is punishable with rigorous imprisonment</b> for a term not less than three months and which may extend up to two years along with fine.	<i>The offence shall be punishable with simple imprisonment</i> for a term up to two years along with fine.
Section 484 Abetment of false return, etc.	<b>The offence attracts rigorous imprisonment</b> which may extend up to seven years along with fine.	<i>A graded punishment structure is proposed based on the amount of tax, penalty or interest sought to be evaded.</i>
Section 485 Punishment for second and subsequent offences.	The offence is punishable with rigorous imprisonment for a term not less than six months and which may extend up to seven years along with fine.	The offence shall be punishable with simple imprisonment for a term not less than six months and which may extend up to three years along with fine.
Section 494 Disclosure of particulars by public servants.	<b>The offence is punishable with imprisonment</b> which may extend up to six months along with fine.	<i>The offence shall be punishable with simple imprisonment</i> up to one month or with fine or with both.

**Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A.**

- ❖ Amendments proposed in provisions related to jurisdiction to issue notice u/s 148 under Income Tax Act, 2025.

Section as per New Income Tax Act, 2025	Existing Provision	Proposed Provision
279 (Income escaping assessment)	The Act provides a two-step procedure involving pre-assessment enquiry under section 148A followed by reassessment under section 147 pursuant to notice under section 148.	The two-step structure is retained, but the <i>jurisdictional authority for each stage is expressly clarified</i> .
	The Act does not expressly clarify whether the jurisdictional Assessing Officer or faceless assessment units are empowered to conduct pre-assessment enquiry, leading to differing interpretations.	It is clarified that only the jurisdictional Assessing Officer is authorised to conduct pre-assessment enquiry under section 148A.
	Ambiguity existed regarding whether notice under section 148 could be issued by faceless assessment units under the faceless assessment scheme.	<i>The notice under section 148 shall be issued only by the jurisdictional Assessing Officer and not by the National Faceless Assessment Centre or its assessment units.</i>
	Certain judicial decisions of High Court of Bombay interpreted that faceless assessment units could be involved at the pre-assessment stage.	<i>It is clarified that NaFAC and its assessment units have no role in the pre-assessment stage and can be involved only after issuance of notice under section 148.</i>
	Section 144B provides for faceless reassessment, but its application at the pre-notice stage was disputed.	<i>Faceless reassessment under section 144B applies only after the reassessment proceedings commence pursuant to notice under section 148.</i>

	The intent had to be inferred from the scheme of the Act, resulting in conflicting judicial interpretations.	<i>The legislative intent is expressly stated to ensure a clear demarcation between pre-assessment and assessment stages.</i>
	<b>Conflicting High Court from Bombay rulings existed, some favouring revenue and others favouring taxpayers.</b>	<i>The clarification applies notwithstanding any judgment, order or decree of any court, thereby overriding contrary judicial views.</i>
	<b>Effective date – Income-tax Act, 1961</b> No express clarification existed earlier.	The clarification shall apply retrospectively from 1 April 2021.
	<b>Effective date – Income-tax Act, 2025</b> Not applicable earlier.	The corresponding amendment shall apply prospectively from 1 April 2026.

## Rationalisation of Penalties into Fee

- ❖ Amendments proposed in provisions related to Rationalisation of Penalties into fee under Income Tax Act, 2025.

Section as per New Income Tax Act, 2025	Existing Provision	Proposed Provision
Section 446 Failure to get accounts audited.	The Assessing Officer may levy a penalty equal to the lower of 0.5% of total sales, turnover or gross receipts or Rs. 1,50,000, subject to satisfaction that the failure occurred without reasonable cause.	The penalty is proposed to be replaced by a <b>mandatory fee</b> under the proposed section 428(c), with a <b>graded fee of Rs. 75,000 or Rs. 1,50,000</b> , depending upon the period of delay. The existing penalty provision under section 446 is omitted.

Section 447 Penalty for failure to furnish report under section 172.	<b>A fixed penalty of Rs. 1,00,000 is levied</b> for failure to furnish the prescribed report from an accountant.	The penalty is proposed to be converted into a <i>fee under section 428(4), with a graded fee of Rs. 50,000 or Rs. 1,00,000</i> , depending upon the period of delay.
Section 454(1) Penalty for failure to furnish statement of financial transaction or reportable account.	<b>A penalty of Rs. 500 per day is levied</b> for every day during which the failure continues.	The penalty is proposed to be converted into a <i>fee under section 427(3), thereby removing discretion and standardising the levy</i> .
Section 454(2) Penalty for failure to furnish statement of financial transaction or reportable account.	<b>A penalty of Rs. 1,000 per day is levied where the statement is not furnished within the period specified in the notice.</b>	<i>An upper monetary limit of Rs. 1,00,000 is proposed</i> to be prescribed for this penalty to prevent excessive levy.
Objective	Penalties are discretionary and subject to interpretation of “reasonable cause”, often resulting in litigation.	<i>Fees are mandatory and non-discretionary, thereby reducing litigation arising from technical defaults.</i>
Objective	Penalties often result in disputes for procedural or technical lapses.	<i>Conversion to fee</i> is intended to ensure certainty, reduce litigation, and promote voluntary compliance.
Effective date	Penalty provisions apply as per existing sections.	<i>The amendments shall take effect from 1 April 2026 and shall apply from tax year 2026-27 onwards.</i>

❖ **Allowing the filing of updated return after issuance of notice of reassessment:**

<i>Section as per I.T. Act, 2025</i>	<i>Existing Provision</i>	<i>Proposed Provision</i>
Section 263	<p>There was no provision to file an “updated return” after issuance of notice of reassessment.</p>	<p>Taxpayers may file an updated return within 48 months from the end of the financial year following the relevant tax year, with the following restrictions:</p> <ul style="list-style-type: none"> <li>▪ <i>The updated return cannot reflect a loss.</i></li> <li>▪ <i>The return cannot reduce the tax liability or increase the refund.</i></li> <li>▪ <i>It requires payment of additional income-tax as prescribed.</i></li> <li>▪ <i>The filing of an updated return is prohibited if assessment, reassessment, search, survey, or prosecution proceedings are pending or completed.</i></li> </ul>
Section 267(5)	<p>There was no provision to file an “updated return” after issuance of notice of reassessment.</p>	<p><i>The proposed section provides that additional income-tax amounting to 25%, 50%, 60% and 70% of the aggregate of tax and interest payable, shall be paid along with original tax and interest payable, for filing the updated return in first, second, third and fourth year, respectively from the end of the financial year succeeding the relevant tax year.</i></p>

- The amendment will be effective from April 1, 2026.

❖ **Rationalizing the period of block in case of other persons:**

<i>Section as per I.T. Act, 2025</i>	<i>Existing Provision</i>	<i>Proposed Provision</i>
Section 295 (Earlier section 158BC of the Income Tax Act, 1961)	Section 295 provides that when undisclosed income pertains to an 'other person' (not the subject of search or requisition), the seized materials and information will be handed over to the Assessing Officer having jurisdiction over the other person. The block assessment period for both the specified person and the other person is the same, regardless of whether the undisclosed income pertains to a single year or multiple years.	<i>The proposed amendment seeks to limit the block period for the 'other person' to the single tax year in which the undisclosed income is identified, rather than applying the entire block assessment period applicable to the specified person.</i>
Section 295(2)	Under existing provisions, the block assessment period for both the specified person and the other person remains the same, regardless of the duration of the undisclosed income (which may relate only to a single tax year).	<i>The amendment rationalizes the block assessment period, allowing it to be limited to the tax year in which the undisclosed income is found. The other person will no longer be subject to the entire block assessment period if the undisclosed income is confined to a single year.</i>

- The amendment will be effective from April 1, 2026.

❖ **Referencing the time limit to complete block assessment to the initiation of search or requisition:**

<i>Section as per I.T. Act, 2025</i>	<i>Existing Provision</i>	<i>Proposed Provision</i>
Section 296 (Earlier section 158BE of the Income Tax Act, 1961)	The time limit for completing a block assessment is <b>12 months</b> from the end of the quarter in which the last search authorization or requisition was executed.	The time limit for completing a block assessment will be <b>18 months</b> , calculated from the date of initiation of the search or requisition, not from the last authorization.

- The amendment will be effective from April 1, 2026.

❖ **Imposition of penalty for under-reporting or misreporting of income within Assessment Order:**

<i>Section of Old Income Tax Act, 1961</i>	<i>Existing Provision</i>	<i>Proposed Provision</i>
274	<p>Under the existing provisions, penalty proceedings are initiated <b>after an assessment order is passed</b>, based on findings or additions made during the assessment. <b>The penalty notice is issued separately</b>, and a <b>penalty order is passed after providing a reasonable opportunity to the assessee</b>.</p>	<p><i>Penalty proceedings may be initiated earlier in the assessment order, without the need for a separate show-cause notice or penalty order later. The penalty could potentially be imposed within the same assessment order.</i></p>
	<p>Show-cause notice is issued for the penalty proposed, and the assessee is given a reasonable opportunity to be heard before imposing the penalty. Prior approval from higher authorities is required in certain cases before the penalty is levied.</p>	<p><i>The proposed amendments may remove the requirement for a separate show-cause notice and approval for penalty initiation in certain cases, potentially consolidating the process within the assessment itself.</i></p>
	<p><b>The penalty proceedings are entirely separate from the assessment order and are conducted after the assessment is finalized.</b> A separate penalty order is issued with an opportunity for the taxpayer to contest.</p>	<p><i>Penalties could be imposed directly within the assessment order rather than through separate proceedings. This may expedite the process but limit the scope for challenging penalty specifics after the fact.</i></p>
220	<p><b>A taxpayer must pay the amount specified in a notice of demand under Section 156 within 30 days</b> from the service of the notice. If the taxpayer fails to pay within this period, they are deemed to be in default and liable to <b>interest under Section 220(2)</b>, along with potential recovery proceedings like attachment of property.</p>	<p>The provision remains the same, with no specific amendments proposed. <i>The 30-day time limit still applies</i>, and failure to pay within this period leads to interest liability and recovery actions. <i>However, relief measures like allowing payment by instalments or extensions may continue under certain conditions.</i></p>
	<p><b>Under the existing provisions, interest under Section 220(2)</b> is charged from the due date of payment if the taxpayer fails to pay the demand within the prescribed time. This is applied regardless of whether the appeal process is ongoing.</p>	<p><i>The amendment proposes that interest under Section 220(2) will be charged only after the order is passed by the CIT(A) or ITAT (in case of appeals against DRP orders), ensuring that interest is not levied during the appeal process.</i></p>

245MA	<p>Section 245MA establishes the Dispute Resolution Committee (DRC) to resolve disputes of small and medium taxpayers expeditiously, offering penalty reduction or immunity from prosecution. The DRC's orders are binding and promote voluntary compliance and speedy dispute resolution.</p>	<p>The penalty imposition would be integrated with the assessment order for under-reporting and misreporting of income, eliminating the need for separate penalty proceedings. This would result in a single, consolidated order for both assessment and penalty.</p>
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- **The proposed amendments shall come into force in the Income-tax Act, 1961 from the 1st day of March, 2026 and shall be effective from 1st day of April, 2027.**

#### ❖ **Clarifying time-limit for completion of assessment under section 144C.**

Section 144C of the **Income-tax Act, 1961** provides a special procedure for the assessment of **non-resident taxpayers** and cases involving **transfer pricing** issues. Under this provision, the **Assessing Officer** must forward a **draft order** of assessment to the **eligible assessee**.

##### ➤ **The taxpayer has two choices:**

- **Either accept the proposed variation:**

If the taxpayer **accepts** the draft order, the assessment must be completed within **one month** from the end of the month in which acceptance is received.

**OR**

- **File objections with the Dispute Resolution Panel (DRP):**

If objections are filed with the **DRP**, the DRP must pass directions within **9 months** from the end of the month in which the draft order was sent, and the assessment must be completed within **one month** of receiving the DRP's directions.

##### ➤ **Key Issue:**

There have been **conflicting judicial interpretations** regarding whether the time limits under **Section 153** or **153B** (which are general time limits for assessments) apply to assessments under **Section 144C**. Some rulings have taken the view that the entire process, including the steps in Section 144C, must fit within the general time limits of Section 153 or 153B, despite Section 144C explicitly carving out its own time limits.

##### ➤ **Clarification:**

The **proposed amendments** seek to **clarify the intent** of the law regarding **time limits** for assessments under Section 144C, especially concerning whether **Sections 153** (general time limits for assessment) or **153B** (time limits for search cases) should apply. The amendments emphasize

that the *specific time limits* under Section 144C, both for completing assessments following draft order acceptance or DRP directions, *take precedence* over the general time limits provided in Sections 153 and 153B.

- **The clarification in Income-tax Act, 1961 shall come into force with retrospective effect from 1.4. 2009 in respect of section 153 and from 1.10.2009 in respect of section 153B.**
- **The same amendment shall be adopted in Income-tax Act, 2025 shall come into force with effect from 1st day of April, 2026.**

## I. Other Amendments.

### CO-OPERATIVES

#### ❖ **Deductions in respect of dividends received and distributed by certain Cooperative Societies.**

**Section 149(2)(d)** allows deduction to a cooperative society on interest or dividend received from another cooperative society under the **old tax regime**.

It is proposed to allow deduction in the **new tax regime** for dividends received from other cooperative societies; to the extent such dividends are distributed to members.

Further, a **3-year deduction (up to tax year 2028–29)** for dividends received by **notified federal cooperatives from companies**, under both tax regimes, limited to dividends from investments made **up to 31.01.2026** and distributed to members.

The amendment shall apply from **1 April 2026**.

#### ❖ **Widening scope of deduction under section 149 by including ancillary activities of Cattle feed and cotton seeds.**

**Section 149(2)(b) of the Income Tax Act, 2025** allows deduction of the entire profits of a primary cooperative society engaged in supplying milk, oilseeds, fruits, or vegetables grown by its members to specified entities. It is proposed to **extend this deduction** to profits from similar activities such as **supplying cattle feed and cotton seeds** undertaken by members.

This amendment shall take effect from **1 April 2026**.

#### ❖ **Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society.**

Under **Section 2(32) of the Income Tax Act, 2025**, a co-operative society is defined as one registered under the Co-operative Societies Act, 1912 or any State/UT law. It is proposed to **include societies registered under the Multi-State Cooperative Societies Act, 2002** within this definition.

This amendment shall take effect from **1 April 2026**.

#### ❖ **Providing definition of “commodity derivative”**

**Income Tax Act, 1961** defines the term “**specified derivative transaction**” which refers to “**commodity derivative**”, but not defined under **Income-tax Act, 2025**.

To ensure consistency, it is proposed to insert the definition of “**commodity derivative**” under the **Income-tax Act, 2025**, in line with the **Income-tax Act, 1961**.

This amendment shall be **effective from 1st April, 2026.**

"Commodity derivative" means a contract -

- for the delivery of such goods, as may be notified by the Central Government in the Official Gazette, and which is not a ready delivery contract; or
- for differences, which derives its value from prices or indices of prices of such underlying goods or activities, services, rights, interests and events, as may be notified by the Central Government, in consultation with the Board, but **does not include securities**.

#### ❖ **Providing definition of “authorized person”**

**Section 402(27)** of the Act defines the term **“person responsible for paying”**. In cases of payment to a non-resident for transfer of a foreign exchange asset, the term **“authorized person”** is used. While this term is defined in the Income-tax Act, 1961, it is not defined in the Income-tax Act, 2025.

To ensure consistency, it is proposed to insert the definition of “authorized person” in section 402(27) of the Income-tax Act, 2025, in line with the Income-tax Act, 1961.

This amendment shall be **effective from 1st April, 2026.**

Definition of Authorized Person:

Under **Section 402(27)** of the **Income-tax Act, 2025**, an **"Authorized Person"** is an umbrella term encompassing entities empowered to act on behalf of others for tax compliance. It specifically includes:

- **Authorized Representatives:** Persons qualified to appear before tax authorities as prescribed under Section 288 of the 1961 Act.
- **Authorized Dealers:** Persons authorized by the RBI to deal in foreign exchange under FEMA, 1999 (notably for remittances and TCS under the LRS).
- **Designated Officers:** Persons responsible for tax deduction or collection (TDS/TCS).

#### ❖ **Correction of Referencing Error**

- The act provides that an individual's income should include the spouse's income in two situations: first, where the spouse receives salary or similar payments from a concern controlled by the individual; and second, where the spouse earns income from assets transferred by the individual.
- Separate provisions also exist to determine the proportion of income to be included when only part of an asset is transferred.
- However, due to a drafting error, the proportion provision was incorrectly linked to the salary-related situation instead of the asset-transfer situation and such change corrects this reference so that the proportion rule applies to income arising from transferred assets, as originally intended, without altering the tax impact.

It is proposed to amend Section 402(27) of the Income-tax Act, 2025, to provide a comprehensive definition of an "Authorized Person." This definition will consolidate the following statutory roles:

- **Authorized Representatives:** As defined under the Income Tax Act 1961.
- **Authorized Dealers:** As defined under FEMA, 1999.
- **Designated Officers:** As defined under the Income Tax Act, 1961 Act.

#### ❖ **Correction of referencing error**

- The law requires TDS (tax deduction at source) on the **sale of immovable property** when the **sale price or stamp duty value is ₹50 lakh or more**. However, there was a **drafting mistake** in the notes due to which it **mistakenly** referred to rules for **compulsory acquisition** of property **instead** of rules for **regular sale of property**.
- The proposed amendment will correct this reference so that the note clearly applies to regular property sales of ₹50 lakh or more, as originally intended.

#### ❖ **Correction in provisions relating to Income from House Property and Permanent Account Number**

- A correction is proposed under the **Income-tax Act, 2025** to align it with the corresponding provision of the **Income-tax Act, 1961**, so as to provide that the **annual value of property held as stock-in-trade shall be taken as nil for a period of up to two years from the end of the financial year in which the certificate of completion of construction is obtained** from the competent authority.
- The law allows deductions for **interest paid on borrowed money** used to **buy or build** a house. For a self-occupied house, the total deduction is limited to **₹2 lakh**. However, this limit **currently does not include interest from earlier years** that is still payable for the purchase or construction of the property.
- Currently, the act allows the CBDT to make rules for quoting PAN only in documents related to business or profession, but it does not explicitly cover documents not connected to business or profession. The proposed amendment will enable the CBDT to make rules for quoting PAN in documents for all transactions, including those not related to business or profession.

These amendments will be **effective from 1st April, 2026.**

❖ Rationalisation of Penalties into Fee

Sr.No.	Section	Existing Provision	Proposed Provision	With effect from
1	Penalty for failure to get accounts audited	Penalty equal to the <b>lower of 0.5% of total turnover/gross receipts or Rs.1,50,000.</b>	Penalty has been <b>converted into a graded fee of ₹75,000 upto one month and ₹1,50,000 thereafter.</b>	These amendments shall take effect from <b>1 April 2026.</b>
2	Penalty for failure to furnish the accountant's report	Penalty of <b>₹1,00,000</b> for failure to furnish the accountant's report.	This penalty has been <b>converted into a graded fee of ₹50,000 or ₹1,00,000,</b> depending on the period of delay.	These amendments shall take effect from <b>1 April 2026.</b>
3	Penalty for failure to furnish a statement of financial transactions or reportable accounts	<b>₹500 per day</b> , which increases to <b>₹1,000 per day</b> where the default continues after notice.	The penalty has now been <b>converted into a fee</b> of Rs.200 per day subject to overall cap of Maximum Rs.100000.	These amendments shall take effect from <b>1 April 2026.</b>
4	Penalty for failure to report or for incorrect reporting of crypto asset transactions."	<b>No Specific Penalty</b>	Penalty: <b>Rs.200 per day</b> : Failure to report. <b>Rs.50000</b> : Incorrect reporting.	These amendments shall take effect from <b>1 April 2026.</b>

**Other Exemptions and Relaxations Provided**

**Exemption on interest income under the Motor Vehicles Act, 1988.**

As per Section 11 of the Income Tax Act, 2025, certain income is exempt from tax if it meets the conditions specified in **Schedule III**.

The **Motor Vehicles Act, 1988** allows for **compensation** and **interest** on compensation to be awarded by the tribunal in cases of **death, permanent disability, or bodily injury** resulting from accidents.

- ❖ In order to alleviate hardships caused to the aggrieved person and family, Schedule III is amended hereby providing exemption on any **interest income** received under the **Motor Vehicles Act, 1988** as compensation for accidents to individual or his legal heir.
- ❖ The amendment will be effective from **April 1, 2026.**

## Rationalising the due date to credit Employee Contribution by the employer to claim such contribution as deduction

Section	Existing Provision	Proposed Provision	Impact
Deduction for employee welfare contributions.	Due date" refers to the date by which the employer is required to <b>credit employee contributions</b> to the employee's account under applicable laws, rules, or agreements for claiming deduction.	"Due date" will be aligned with the <b>due date for filing the return of income under Section 263(1)</b> of the Act.	To align the due date with the tax return filing deadline for smoother compliance.

The amendment will be effective from **April 1, 2026**.

## FOREIGN ASSETS OF SMALL TAXPAYERS – DISCLOSURE SCHEME, 2026 (FAST-DS 2026)

**FAST-DS 2026** is a new government scheme meant to help **small taxpayers** who forgot or didn't know they had to declare **foreign assets or foreign income**.

Many taxpayers can have minor foreign holdings like:

- ESOPs/RSUs from foreign jobs
- Old or low-balance foreign bank accounts (students or ex-NRIs)
- Foreign insurance or savings policies
- Assets from overseas deputation

To fix these **old or accidental mistakes**, the government is giving a **limited-time opportunity** to voluntarily declare such foreign assets or income.

Under this scheme:

- Taxpayers can **declare foreign assets/income**
- Pay **tax or a small fee** (depending on how the asset was acquired)
- Get **relief from heavy penalties and prosecution** under the Black Money Act

However:

- Cases involving **criminal activity or ongoing prosecution** are **not allowed**
- The scheme will be introduced through the **Finance Bill, 2026**
- It will start on a date **notified by the Central Government**.

## **RATIONALISING PENALTY AND PROSECUTION**

### **Relaxation of conditions for prosecution under the Black Money Act**

<b>Topic</b>	<b>Proposed Provision</b>
<b>Who is this relief for?</b>	People who did <b>not</b> disclose <b>foreign assets</b> by <b>genuine mistake</b> , not intentionally
<b>Value limit of foreign assets</b>	Total value of such foreign assets should be <b>up to ₹20 lakh</b>
<b>Type of assets covered</b>	Only <b>movable assets</b> like bank accounts, shares, mutual funds, etc.
<b>Assets NOT covered</b>	<b>Land or buildings</b> located outside India are <b>not included</b>
<b>Punishment waived</b>	<b>No jail cases</b> will be started for such genuine mistakes
<b>Purpose of the change</b>	To give relief for <b>small and unintentional errors</b>
<b>From when applicable</b>	This relaxation will apply from <b>1st October 2024 onwards (retrospective)</b>

## **RATIONALISATION OF TAX RATE U/S 195 AND PENALTY U/S 443 IN RESPECT OF CERTAIN INCOME:**

Section **195** → Rule to deduct tax on payments to foreigners

Section **443** → Penalty if those tax rules are not followed

Section **439(11)** → Penalty for not reporting the correct income

Comparative table showing the existing vs proposed provisions under Clause 90:

<b>Particulars</b>	<b>Existing Provisions</b>	<b>Proposed Provisions</b>
<b>Nature of income covered</b>	Income referred to in sections 102 to 106 (unexplained credits, investments, assets, expenditure, etc.)	No change
<b>Applicable section for tax</b>	Section 195	Section 195
<b>Tax rate on such income</b>	60%	30%
<b>Rate of penalty</b>	10% of tax payable under section 195(1)(i)	Penalty as applicable for misreporting of income.
<b>Applicable penalty section</b>	Section 443	Section 439(11) (misreporting of income)
<b>Objective</b>	Higher tax and separate penalty regime	Rationalisation of tax rate and alignment with general misreporting penalty
<b>Effective date</b>	Applicable till tax year 2025–26	Applicable from 1 April 2026

## **ATTRACTING GLOBAL BUSINESS AND INVESTMENT**

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

- Currently, Section 11 read with Schedule IV provides tax exemption to certain incomes of foreign companies and non-residents.
- To encourage investment in **data centres and AI infrastructure in India**, the government proposes a new tax exemption.

### **❖ Eligibility for Exemption**

- A **foreign company** will not be taxed in India on income earned from **using data centre services in India**, if those services are taken from a **specified data centre**.
- This exemption is available **up to the tax year ending 31 March 2047**.

**Important condition:** If the foreign company provides services to **Indian users**, it must do so through an **Indian reseller entity**.

**Effective date:** Applicable from **1 April 2026**

### **Meaning of key terms:**

- **Data centre:** A secure place where large amounts of data are stored, processed and managed using computers and networking equipment.
- **Data centre services:** Services provided using physical infrastructure (land, building, power, cooling, security, IT systems, servers, software, networks and manpower in India).
- **Specified data centre:**
  - Set up under a government-approved scheme and notified by Ministry of Electronics and Information Technology; and
  - Owned and operated by an Indian company.

## **DEDUCTION FOR PROSPECTING OF CRITICAL MINERALS (SECTION 51)**

Section 51 of the Income-tax Act allows Indian companies and resident taxpayers to claim tax deduction for expenses incurred on prospecting, extraction, or production of specified minerals, vital for technology, renewable energy, EVs and defence.

Particulars	Existing Rule	Proposed in This Budget
<b>Who can claim deduction</b>	Indian companies and resident taxpayers	No change
<b>Purpose of deduction</b>	Expenses on prospecting, extraction or production of minerals	Same
<b>Eligible minerals</b>	Only minerals listed in	<b>Schedule XII to be expanded</b>

	<b>Schedule XII</b>	
<b>Critical minerals</b>	<b>Not covered</b>	<b>Included</b>
<b>Type of expenses eligible</b>	Prospecting, extraction and production expenses	Prospecting and exploration expenses for <b>critical minerals also covered</b>
<b>Timing of deduction</b>	Not allowed immediately	No change
<b>Period of deduction</b>	Spread over <b>10 years</b>	No change
<b>Start of deduction</b>	From the year <b>commercial production begins</b>	No change
<b>Eligible expense period</b>	Expenses incurred in the year of commercial production and up to <b>4 prior years</b>	Same

The amendment will be effective from April 1, 2026.

## **TAX EXEMPTION FOR FOREIGN COMPANIES SUPPLYING CAPITAL**

<b>Particulars</b>	<b>Current Rule</b>	<b>Proposed in This Budget</b>
<b>Legal provision</b>	Certain incomes of non-residents and foreign companies are exempt under Schedule IV	Schedule IV to be <b>amended</b>
<b>Type of income exempt</b>	Only incomes <b>already listed</b> in Schedule IV	Income from supplying <b>capital goods, equipment and tooling</b>
<b>Eligible foreign companies</b>	Limited to existing categories	Foreign companies supplying goods to Indian contract manufacturers
<b>Electronics manufacturing</b>	<b>No specific exemption</b>	<b>Specific exemption introduced</b>
<b>Taxability in India</b>	Such income generally taxable	Such income will be <b>exempt from Indian tax</b> , subject to conditions

The amendment will be effective from April 1, 2026.

### **Conditions to claim the exemption**

<b>Condition</b>	<b>Requirement</b>
<b>Indian manufacturer</b>	Must be a <b>company resident in India</b>
<b>Location of unit</b>	Manufacturing unit must be in a <b>customs bonded area</b> (bonded warehouse)
<b>Nature of activity</b>	Indian company manufactures <b>electronic goods on behalf of the foreign company</b>
<b>Consideration</b>	Foreign company must receive <b>payment</b> for supplying capital goods, equipment or tooling

The amendment will be effective from April 1, 2026.

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

- ❖ Section 536(2)(h) currently makes income taxable only if conditions related to deductions or excluded income under the old Income-tax Act (1961) are violated.
- ❖ However, some cases under the old law require inclusion of such income even without any violation, and the current rule does not cover these.
- ❖ To fix this gap, the proposal is to amend Section 536(2)(h) so that such income will be treated as taxable under the new Income-tax Act, 2025, even without violations if it should have been included under the old law.
- ❖ This change will apply from 1st April 2026.

## Amendment in the definition of the specified fund

- ❖ The term “specified fund” is currently defined in Note 1(g).
- **Note 1(g) of Schedule VI** defines "specified fund" as a fund that **invests primarily in specified assets or sectors and meets the conditions set by the government** to qualify for particular tax benefits or exemptions.
- These funds are typically structured to promote investments in **areas like infrastructure, venture capital, or other government-specified sectors**.
- ❖ To bring more clarity, it is proposed to update Note to align the definition of "specified fund" with the definition already provided The Income-tax Act, 1961.

These changes will come into effect from April 1, 2026.

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

- When the government **compulsorily acquires land** under the **RFCTLARR Act, 2013**, it pays compensation to the landowner.
- This will be Effective from 01<sup>st</sup> April 2026.

Aspects/ Section No.	Existing Provision	Proposed Provision	Impact
<b>Section 11</b> (read with Schedule III of Income Tax Act, 1961)	Section 11 read with Schedule III – provides exemption to certain eligible persons (Individuals /HUFs) on capital gains from transfer of agricultural land, subject to conditions.	Amendment to Schedule III – explicitly exempts all income arising from any award or agreement on compulsory acquisition of land under RFCTLARR Act (except Section 46 cases).	Removes ambiguity; provides statutory clarity; wider coverage beyond agricultural land or specific assesses.
<b>Section 96</b> (RFCTLARR Act,	Circular No. 36/2016 – clarified that compensation	Same, now formally aligned with Income Tax	Alignment of IT law with RFCTLARR Act reduces

2013)	under RFCLARR Act is tax-exempt even if IT Act does not specifically provide exemption.	Act exemption.	conflicts.
Scope	Only Individuals / HUFs and agricultural land.	All assessees and all land under compulsory acquisition.	Broader applicability; full exemption.
Tax Impact	Partial exemption ambiguity in certain cases.	Full exemption for eligible compensation.	Reduces litigation, provides certainty.

### **Exemption for Disability Pension to armed force personnel.**

- **Disability pension** is paid to Armed Forces personnel who are **forced to leave service** because they suffered a **physical disability caused by or worsened due to service**.
- This pension has **two parts**:
  - **Service element** (linked to years of service), and
  - **Disability element** (linked to the extent of disability).
- Until now, the **tax exemption existed through old laws, notifications, and circulars**, but not as a clear, specific provision in the Income-tax Act.
- The government now proposes to **clearly define and restrict the exemption**.
- Under the new proposal, **full tax exemption** (on both service and disability elements) will be available **only if the person is invalidated out of service due to a service-related disability**.
- **No exemption** will be available if the person **retires normally** (superannuation or voluntary retirement), even if they receive disability pension.
- The same **tax exemption will also apply to paramilitary personnel**.

This will be Effective from **01<sup>st</sup> April 2026**.

### **Amendment in the provision relating to merger of Non-Profit Organisations (NPOs)**

Existing Provision	Proposed Provision	Impact
If a non profit merges with another organization (other than a similar nonprofit), it must pay tax on the accumulated income, the law doesn't address cases where two similar nonprofits merge	A new section will make sure nonprofits don't have to pay tax on accumulated income if they merge with another nonprofit with similar goals and meet certain conditions	Tax will still apply if the merger doesn't meet the conditions or involves a different type of entity
Certain actions by a registered non-profit organisation are treated as "specified violations". One	Commercial or business-like activities by such non-profit organisations will no longer be treated as a "specified	This prevents unintended cancellation of registration of non-profit organisations and aligns the law with the intent

such violation is carrying out commercial or business-like activities by organisations meant for general public utility. This violation is also treated as an “other violation”.	violation”	of the earlier Income-tax Act, 1961.
Some entities such as educational institutions, charitable and religious institutions, hospitals, medical institutions, trusts, societies, and other public welfare organisations are currently required to register as non-profit organisations to claim tax exemption.	These entities are proposed to be removed from the list requiring registration, in line with the earlier law.	Such entities will not be required to register under the new law to claim tax exemption, reducing compliance burden and avoiding confusion.

### **Amendment in the Income-tax Act, 2025 for filing of belated Return by NPO**

Point	Explanation in simple words
<b>Existing Rule</b>	NPOs must file return within the allowed deadline.
<b>Issue with Current Rule</b>	NPOs cannot file late returns under the new rule, unlike before.
<b>Proposed Change</b>	This will allow NPOs to file late (belated) returns again.
<b>Effect of the Amendment</b>	NPOs can file returns even after the deadline, under conditions.
<b>Effective Date</b>	The change will apply from FY 2026-27.

### **Non - allowability of Interest as a deduction against Dividend Income**

Existing Law	Proposed Law	Impact
Dividend and mutual fund income is taxed under income from other sources, with interest deduction allowed up to 20% of such income.	Interest deduction on dividend and mutual fund income will be completely disallowed.	Taxable income will increase as no interest expense can be set off.

## INDIRECT TAX

### ❖ GOODS AND SERVICES TAX

**The amendment shall take place through notification issued on later date:**

<b>S r. N o</b>	<b>Section</b>	<b>Existing Provision</b>	<b>Proposed Provision</b>	<b>Impact</b>
1.	<b>Post-Sale Discounts</b> (Section 15(3))	Discounts are excluded from taxable value only if established by an <b>agreement at / before supply and linked to specific invoices</b> , provided the recipient reverses the ITC.	Removes the requirement to link discounts to a pre-existing agreement and specific invoices; refers to Section 34 credit notes	<b>Simplifies commercial trade</b> by providing flexibility for volume / performance incentives without rigid pre-supply documentation, reducing litigation over secondary discounts.
2.	<b>Credit Notes</b> (Section 34)	Section 34 governs the issuance of credit notes for tax/value adjustments but does not explicitly reference Section 15.	Amends the section to include a <b>direct reference to Section 15</b>	Ensures <b>legal symmetry</b> between valuation rules (Sec 15) and documentation rules (Sec 34), validating credit notes used for new discount adjustments.
3.	<b>Provisional Refunds</b> (Section 54(6))	The proper officer can grant a <b>90% provisional refund</b> only for claims arising from <b>zero-rated supplies</b> (exports / SEZ).	Extends the 90% provisional refund facility to claims arising from the <b>inverted duty structure</b>	Significantly <b>improves liquidity</b> for manufacturers; they will receive the bulk of their refund within 7 days of acknowledgment rather than waiting for final verification.
4.	<b>Refund Threshold</b> (Section 54(14))	No refund is paid to an applicant if the amount claimed is <b>less than one thousand rupees</b> per tax head.	<b>Removes the threshold limit</b> for refund claims involving goods exported out of India on which tax was paid.	Benefits <b>small-scale exporters</b> and high-frequency, low-value shippers by ensuring every rupee of tax paid on exports is recoverable, maintaining the principle that " <b>taxes should not be exported</b> ".

5.	<b>Advance Ruling Appeals</b> (Section 101A)	Mandates the constitution of a <b>National Appellate Authority</b> (NAAAR) with a rigid structure (including a Supreme / High Court Judge) to resolve conflicting state rulings.	Inserts Sub-section (1A) to empower an <b>existing Authority or Tribunal</b> to hear these appeals in the interim, bypassing the NAAAR's complex administrative requirements.	Provides an <b>immediate venue</b> for businesses to resolve conflicting inter-state rulings, creating legal certainty for national taxpayers starting April 1, 2026.
6.	<b>Intermediary Services</b> (IGST Act Sec 13(8)(b))	The Place of Supply (PoS) for intermediaries is the <b>location of the supplier</b> (India), often preventing these services from being treated as "exports".	Omits clause (b), shifting the PoS to the <b>location of the recipient</b> as per the default rule in Section 13(2).	Allows Indian agents and brokers to qualify for <b>zero-rated export status</b> , making them more <b>globally competitive</b> and reducing litigation regarding ITeS classification.

## ❖ CUSTOMS AND EXCISE

Sr. No	Section	Existing Provision	Proposed Provision	Impact
1.	<b>Section 1(2)</b>	Limited primarily to Territorial Waters (12 nautical miles) for standard enforcement.	Extended to the Continental Shelf and EEZ (Up to 200 nautical miles from the coast.) Specifically, for fishing and related activities.	The amendment of Section 1(2) to ensure that the <b>Customs Act</b> provides the "legal authority" to regulate the <b>EEZ and Continental Shelf</b> specifically for the purpose of managing <b>fishing and related activities</b> . Any fish caught within the EEZ by Indian-flagged fishing vessel is now legally deemed to be of Indian Origin. This allows for smoother exports and ensures that the catch is not treated as an import.
2.	<b>Section (2) clause (28A)</b>	No specific statutory definition for an "Indian-flagged fishing vessel."	Formal definition inserted to distinguish Indian vessels from foreign ones for	'(28A) "Indian-flagged fishing vessel" means a vessel which is used or intended to be used for the

			customs compliance under Section 2 clause 28A.	purpose of fishing in the seas and entitled to fly the flag of India.'
3.	<b>Section 28J(2)</b>	Advance rulings were valid and binding for <b>3 years</b> or until a change in law / facts, whichever is earlier.	Validity is now capped at <b>5 years</b> , or until a change in law / facts, whichever is earlier. <b>Existing 3 year rulings can be extended to 5 years</b> from their original issue date, but only if applicant proactively submits a formal request for extension to the Authority.	This amendment enhances tax certainty and eases compliance by extending the validity of Customs Advance Rulings from 3 years to 5 years, while allowing existing holders to bridge to the longer term upon request.
4.	<b>Section 56A</b>	Fish caught beyond 12 or 24 nautical miles were in a "legal grey area."	Fish caught by Indian-flagged vessels anywhere in the deep sea i.e. beyond 12 nautical miles are Indian goods.	<b>Section 56A</b> eliminates import taxes on deep-sea fish caught by Indian boats and turns direct foreign sales of such fish into official, benefit-earning Indian exports.
5.	<b>Section 67</b>	The owner of any warehoused goods may, with the permission of the proper officer, remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted.	The owner of any warehoused goods may, <del>with the permission of the proper officer</del> , remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted.	Simplifying the movement of goods within India's warehousing network.

6.	<b>Baggage Rules</b>	Baggage Rules, 2016	Baggage Rules, 2026 will substitute Baggage Rules, 2016. Changes shall come effect from midnight of 02 <sup>nd</sup> February, 2026	To rationalize the Baggage provisions and addressing passenger related concerns.
7.	<b>Basic Custom Duty &amp; Social Welfare Surcharge on Goods under Heading 9804</b> (all dutiable goods imported for personal use)	Basic Customs Duty (BCD) - <b>20%</b>  Social Welfare Surcharge (SWS) - <b>0%</b> (Exempted)	Basic Customs Duty (BCD) - <b>10%</b>  Social Welfare Surcharge (SWS) <b>10% of BCD</b> (i.e., effective <b>1%</b> )	The goal of this change was to simplify the rate structure. Even with SWS being added back, the total tax payable is lower because the base (BCD) was cut in half.

## **AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975**

- (a) The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to carry out changes as under-

C.	<b>Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] * [Clause 136(c) of the Finance Bill, 2026]</b>	<b>Rate of Duty</b>
<b>*Note:</b>		
<p>1. The current applied rate of Basic Customs Duty on these commodities operate through their respective exemption/concessional duty notification(s). Such corresponding entries would be omitted from the concerned notification(s) with effect from 01.05.2026, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged.</p> <p>2. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub- heading.</p> <p>3. The said changes are to be read with consequent amendments related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC).</p>		

Sr. No	Heading, sub-heading tariff item	Commodity	From	To
(1)	(2)	(3)	(4)	(5)
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%	Rs. 1 per tonne
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

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
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**NEW TARIFF LINES HAVE BEEN CREATED**

Sr. No	Chapter / heading / sub- heading / tariff item mentioned in notification	Commodity	New tariff item being created w.e.f.	Rate of duty
			01.05.2026	
(1)	(2)	(3)	(4)	(5)
83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%

**II. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS**

Changes in Basic Customs Duty (to be effective from 02.02.2026)			Rates of Duty	
Sr. No	Chapter, Heading, sub- heading, tariff item	Commodity	From	To
2.	2841 90 00	Sodium antimonite for use in manufacture of solar glass [vide insertion of S. No. 110A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil
4.	8401 30 00	All goods for generation of nuclear power [vide insertion of S.No. 227A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil

### III. REVIEW OF CUSTOMS DUTY EXEMPTIONS

#### A. Review of exemptions/concessional rates of BCD prescribed in notification No. 45/2025-Customs dated 24.10.2025:

(a) The details of exemptions/concessional rates being extended, with or without modifications, are as under:

Sr. No	Sr. No. of notification No. 45/2025- Customs	Brief Description	End date
<b>In TABLE I of notification No. 45/2025-Customs</b>			
4.	61	Lactose for use in the manufacture of homeopathic medicine	<b>31.03.2028</b>
6.	84	Gold ores and concentrates for use in the manufacture of gold	<b>31.03.2028</b>
11.	112	Pharmaceutical Reference Standard	<b>31.03.2028</b>
14.	134	Specified goods for use in the manufacture of sheets or backsheets, which are used in the manufacture of solar photovoltaic cells or modules <i>[The entry has been modified]</i>	<b>31.03.2028</b>
20.	144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body	<b>31.03.2028</b>
92.	377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof	<b>31.03.2028</b>
93.	382	Hospital Equipment for use in specified hospitals	<b>31.03.2028</b>
99.	415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio-gas (Bio-CNG) using non-conventional materials	<b>31.03.2028</b>
100.	440	All items of machinery, and auxiliary equipment for setting up of fuel cell-based system for generation of power or for demonstration purposes or balance of systems operating on biogas or bio-methane or by-product hydrogen	<b>31.03.2028</b>

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(b) The following 22 conditional exemption entries of notification no. 45/2025-Customs dated 24.10.2025 are being allowed to **lapse on the 31.03.2026**:

Sr. No	Sr. No. of notification No. 45/2025-Customs	Brief Description	End date
<b>In TABLE I of notification No. 45/2025-Customs</b>			
3.	107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules	<b>31.03.2026</b>
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	<b>31.03.2026</b>
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from	<b>31.03.2026</b>
17.	291	Parts and Components of digital still image video cameras	<b>31.03.2026</b>
<b>In TABLE IV of notification No. 45/2025-Customs</b>			
22.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	<b>31.03.2026</b>

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

- (d) Other changes in the exemption entries of notification No. 45/2025-Customs:
- b. Sunset-date of **31.03.2027** for the following entries is being prescribed:

Sr. No	Sr. No. of TABLE I in notification No. 45/2025-Customs	Brief Description	End date prescribed
1.	192	Gold dore bar, having gold content not exceeding 95%	<b>31.03.2027</b>
2.	193	Silver dore bar having silver content not exceeding 95%	<b>31.03.2027</b>

3.	194	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger (ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	31.03.2027
4.	195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	31.03.2027

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

**B. Review of exemptions prescribed by other notifications:**

(a) The validity of the BCD exemption for the goods covered under the following notifications is being **extended for two years, i.e. upto 31.03.2028:**

Sr. No	Notification No.	Brief Description	End date
2.	32/1997-Customs dated 1 <sup>st</sup> April 1997	Exemption to goods imported for execution of an export order for jobbing	31.03.2028

*Note: Description of entries is indicative. Notification may be referred to for complete description.*

## **EXCISE**

### **II. EXEMPTION FROM CENTRAL EXCISE DUTY ON VALUE OF BIOGAS/COMPRESSED BIOGAS (CBG) CONTAINED IN BLENDED COMPRESSED NATURAL GAS (CNG)**

The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG. To this effect, notification No. 11/2017-Central Excise dated 30.06.2017 is being suitably amended vide notification No. 02/2026-Central Excise dated 01.02.2026. This change will come into effect from 02.02.2026. Notification No. 05/2023-Central Excise, dated 01.02.2023, vide which Central Excise duty was exempted only on the GST amount paid on biogas/CBG contained in such blended CNG is being rescinded with effect from 02.02.2026.

THIS DOCUMENT HAS BEEN PREPARED TO PROVIDE A BROAD UNDERSTANDING OF THE PROPOSALS OF THE UNION BUDGET 2026-27. ALTHOUGH EVERY EFFORT HAS BEEN MADE TO ENSURE ACCURACY, READERS ARE ADVISED TO CONSULT THEIR PROFESSIONAL ADVISORS BEFORE ACTING ON THE BASIS OF THIS DOCUMENT. THE FINANCE BILL, AS INTRODUCED IN PARLIAMENT, MAY UNDERGO MODIFICATIONS BEFORE ITS ENACTMENT.

## **PLANNING TODAY.** **PROGRESS TOMORROW.**

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