

02.02.2026



# INDIA BUDGET STATEMENT 2026

- THE TAX PROPOSALS -

**HEMANT ARORA & Co. LLP**  
Chartered Accountants

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# FOREWORD

The Union Budget 2026-27, presented by Finance Minister Nirmala Sitharaman on February 1, 2026, arrives at a juncture marked by persistent global uncertainties—geopolitical strains, fragmented supply chains, and uneven worldwide recovery. In this context, the government has deliberately chosen a path of measured consolidation over sweeping, high-risk reforms. This Budget steadfastly advances the Viksit Bharat vision by safeguarding macroeconomic fundamentals, upholding fiscal discipline, and methodically laying the groundwork for resilient, inclusive growth.

At its core, the Budget prioritizes stability and predictability. It avoids dramatic shifts in tax structures or expansive new spending programs that could strain resources. Instead, it maintains a prudent fiscal deficit target of 4.3% of GDP—a modest but meaningful improvement from the 4.4% revised estimate for the prior year—while projecting the debt-to-GDP ratio to ease to 55.6%, on course toward the medium-term goal of 50%  $\pm$ 1% by 2030.

On the tax front, the emphasis is firmly on stability, simplification, and genuine relief. Personal income tax slabs and rates stay unchanged under both the old and new regimes, delivering the predictability that middle-class taxpayers value most amid persistent inflationary pressures. The rollout of the Income Tax Act, 2025, effective from April 1, 2026, marks a landmark structural reform: a modernised, streamlined statute replacing the 1961 Act, accompanied by simplified rules, redesigned return forms, and reduced procedural complexities to ease compliance for individuals and businesses alike.

Several practical clean-ups enhance taxpayer experience and liquidity:

- Share buybacks are now taxed as capital gains in the hands of all shareholders (replacing the prior deemed dividend regime), enabling cost-of-acquisition deductions and better alignment with economic reality. An incremental levy on promoters addresses arbitrage concerns, with effective rates around 22% for corporate promoters and 30% for others—protecting minority interests while closing loopholes.

- Compliance measures deliver tangible relief: TCS under the Liberalised Remittance Scheme (LRS) reduced to 2% for education, medical treatment, and overseas tour packages (improving household cash flows); decriminalisation of select minor offences to reduce prosecution fears for genuine mistakes; a one-time window for small taxpayers to rectify inadvertent foreign asset non-disclosures with limited penalties; expanded digitisation, including single-window/centralised filing for Forms 15G/H, automated rule-based nil/low TDS certificates, and system-driven issuance of lower deduction certificates.
- Filing deadlines are extended for greater convenience: non-audit cases to August 31 (from July 31), and revised returns to March 31 of the assessment year (with nominal fees).

For corporates, the changes are equally supportive:

- The MAT rate drops from 15% to 14%, now treated as the final tax with no new credit accumulation post-April 1, 2026; legacy credits remain utilisable for up to 15 years, with partial set-off allowed for companies transitioning to the new regime.
- Incentives for IFSC units are extended, bolstering GIFT City's global competitiveness through continued dividend tax benefits and other concessions.
- ICDS provisions are aligned with Ind AS via a joint committee mechanism, eliminating dual accounting headaches from tax year 2027-28 onward.
- The minimum deposit to get a stay on a tax demand has been decreased from 20% to 10% of the core tax demand. Accordingly to seek a stay on a disputable tax demand during an appeal, a taxpayer now normally needs to deposit only 10% of the disputed tax amount (instead of the earlier 20%).
- This reduction is aimed at minimising liquidity burden on taxpayers and enabling meritorious appeals without hefty upfront cash outlays.

In the transfer pricing domain, multinationals and large Indian groups benefit from meaningful advancements. The Safe Harbour framework has been rationalised by consolidating software development, IT-enabled services, KPO, and contract R&D into a unified IT services category with a uniform 15.5% margin; the eligibility threshold rises sharply to ₹2,000 crore (from ₹300 crore), with automated approvals and five-year continuity to minimise classification disputes. Unilateral APAs, particularly for IT and digital services, are accelerated with a target two-year completion timeline (extendable by six months), promising faster certainty and reduced litigation.

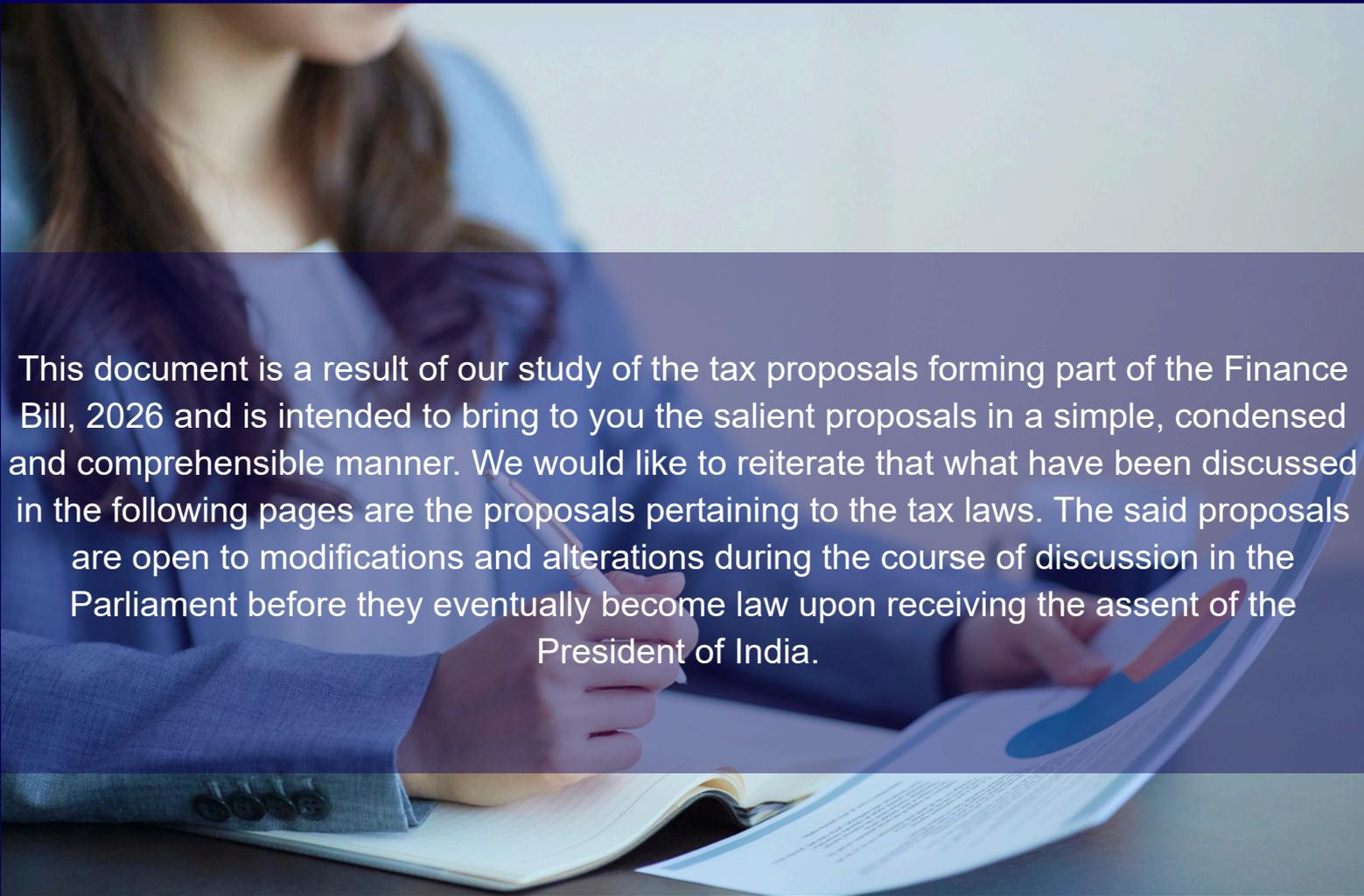
In essence, the Union Budget 2026-27 embodies policy continuity tempered by thoughtful calibration. It steers clear of volatility, eases select compliance frictions, refines key tools in transfer pricing and corporate taxation, and invests in infrastructure, jobs, and digital capacity-building to underpin sustained 7%+ growth. Long-term outcomes will depend on relentless execution: unwavering commitment to job creation, unwavering policy predictability for investor confidence, and swift on-ground implementation of these reforms.

For individuals and businesses, the clear directive is to anchor planning in this environment of stability—capitalize on the incremental gains in compliance ease, liquidity support, and transfer pricing certainty—and remain attuned to execution as the true driver of impact. This Budget positions India not for dramatic leaps, but for durable, broad-based progress toward the developed-nation horizon.

Jeetan Nagpal  
Senior Partner

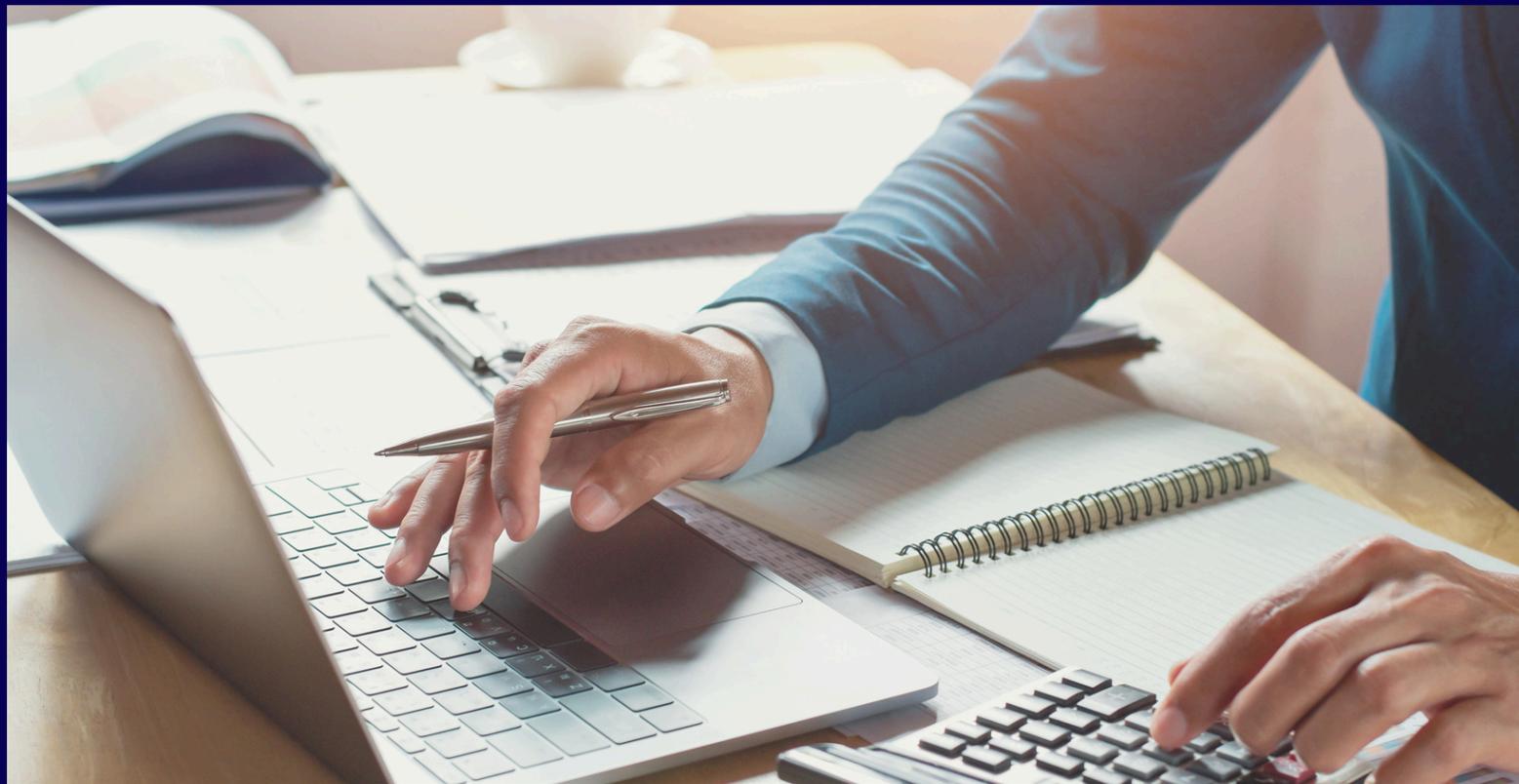
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This document is a result of our study of the tax proposals forming part of the Finance Bill, 2026 and is intended to bring to you the salient proposals in a simple, condensed and comprehensible manner. We would like to reiterate that what have been discussed in the following pages are the proposals pertaining to the tax laws. The said proposals are open to modifications and alterations during the course of discussion in the Parliament before they eventually become law upon receiving the assent of the President of India.

# DIRECT TAX PROPOSALS



This section summarizes significant proposals on direct taxes announced in Union Budget 2026. These proposals are generally effective from Tax year commencing April 1, 2026. However, some of the proposals are effective either prospectively or retrospectively in which case the dates from which they become applicable have been mentioned against respective proposals.

## Applicable tax rates as per Income Tax Act, 2025.

- Individuals/HUF/AOP/BOI/AJP

Default slab wise tax rates as per Section 202 of the Act-

Sl. No.	Total Income	Tax Rate
1	Upto Rs. 4,00,000	Nil
2	From Rs. 4,00,001 to Rs. 8,00,000	5%
3	From Rs. 8,00,001 to Rs. 12,00,000	10%
4	From Rs. 12,00,001 to Rs. 16,00,000	15%
5	From Rs. 16,00,001 to Rs. 20,00,000	20%
6	From Rs. 20,00,001 to Rs. 24,00,000	25%
7	Above Rs. 24,00,000	30%

Rates as per Part I-B of the First Schedule if option under 202(4) is exercised-

- Individuals (below 60 years) /HUF/AOP/BOI/AJP

Sl. No.	Total Income	Tax Rate
1	Up to Rs. 2,50,000	Nil
2	Rs. 2,50,001 – Rs. 5,00,000	5%
3	Rs. 5,00,001 – Rs. 10,00,000	20%
4	Above Rs. 10,00,000	30%

### Senior Citizens (60-79)

Sl. No.	Total Income	Tax Rate
1	Up to Rs. 3,00,000	Nil
2	Rs. 3,00,001 – Rs. 5,00,000	5%
3	Rs. 5,00,001 – Rs. 10,00,000	20%
4	Above Rs. 10,00,000	30%

### Super Senior Citizens (80+)

Sl. No.	Total Income	Tax Rate
1	Up to Rs. 5,00,000	Nil
2	Rs. 5,00,001 – Rs. 10,00,000	20%
3	Above Rs. 10,00,000	30%

### Rates of Surcharge-

1. Above Rs. 50 lakhs to Rs. 1 crore: **10%**
2. Above Rs. 1 crore to Rs. 2 crores: **15%**
3. Above Rs. 2 crores to Rs. 5 crores (excluding specified dividend/capital gains): **25%**
4. Above Rs. 5 crores (excluding specified dividend/capital gains): **37%**
5. Above Rs. 2 crores (including dividend/capital gains) not falling in 25%/37% cases: **15%**

Dividend income / specified capital gains: Surcharge capped at 15% on that portion.

AOP of only companies: Surcharge cannot exceed 15%.

## Income taxable under section 202:

- 37% surcharge not applicable even if income > Rs. 5 crore
- Surcharge restricted to 25% (excluding specified dividend/capital gains).
- Marginal relief is available where surcharge applies.

## Co-operative Societies

- Income-tax rate remains **same as FY 2025–26**.
- Surcharge rates:
  - 7% if total income > Rs. 1 crore and ≤ Rs. 10 crore
  - 12% if total income > Rs. 10 crore
- Marginal relief is available where surcharge applies.
- Resident co-operative societies may opt for 22% tax rate under section 203, subject to conditions.
  - Surcharge in this case: 10%.

## Firms

- Income-tax rate remains **same as FY 2025–26**.
- 12% surcharge applies if total income **exceeds Rs. 1 crore**.
- Marginal relief ensures that additional tax + surcharge does not exceed income exceeding Rs. 1 crore

## Local Authorities

- Income-tax rate remains **same as FY 2025–26**.
- **12% surcharge** applies if total income **exceeds Rs. 1 crore**.
- Marginal relief applies:
  - Total tax + surcharge on income above Rs. 1 crore
  - shall **not exceed** the excess of income over Rs. 1 crore.

## Companies

### **Domestic Companies**

- **25% tax rate** if:
  - Turnover / gross receipts in **FY 2024–25 ≤ Rs. 400 crore**, and
  - Company continues under **section 199 regime**.
- **30% tax rate** in all other cases.
- **Optional regime (section 200):**
  - Tax rate: **22%**
  - Surcharge: **10%** (subject to conditions).

## **Companies(other than domestic companies)**

- **35% tax rate** on income not chargeable at special rates.

## **Surcharge Rates**

### **Domestic Companies**

(excluding companies opting for section 200 and section 201)

- 7% if total income > **Rs. 1 crore and ≤ Rs. 10 crore**
- 12% if total income > **Rs. 10 crore**
- **Marginal relief** is available in all cases of surcharge.

### **Non-Domestic Companies**

- 2% if total income > **Rs. 1 crore and ≤ Rs. 10 crore**
- 5% if total income > **Rs. 10 crore**
- **Marginal relief** is available in all cases of surcharge.

## **Revised due date of filing ITR**

- **Audit cases:** 31st October
- **Business/professional taxpayers (filing ITR-3/4):** 31st August
- **Partners of firms who are not subject to audit:** 31st August
- **Others (ITR-1/ITR-2 etc.):** 31st July
- **Taxpayers covered by transfer pricing provisions:** 30th November

## **Extending the period of filing revised return**

- Revised return filing time extended from 9 to 12 months from the end of the TY.
- Fee to apply for revised returns filed after 9 months.

### ***Effective from: April 1, 2026.***

- Similar changes proposed to section 139(5) of Income-tax Act, 1961 with fee under section 234I.

### ***Effective from: March 1, 2026.***

## **Scope of filing of updated return in the case of reduction of losses**

- **Present:** Updated returns can convert a loss return to income return but cannot reduce the amount of loss claimed.
- **Proposed amendment:** Allows filing updated returns to reduce the amount of loss previously claimed.

### ***Effective from: April 1, 2026.***

Similar amendment proposed for the Income-tax Act, 1961, effective from March 1, 2026.

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

- **Present:** Updated returns are currently **not allowed** if assessment, reassessment, or related proceedings are pending or completed.
- **Proposed amendment:** Allows filing updated returns **after issuance of reassessment notice under section 280**, within the notice's specified period.
- Additional income tax payable in such cases will include an **extra 10% surcharge** on top of the prescribed rates.
- Income on which additional tax is paid will not attract penalty under section 439.

***Effective from: April 1, 2026.***

Similar amendment proposed for the Income-tax Act, 1961, effective from March 1, 2026.

### **Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026)**

- **FAST disclosure scheme introduced** for time-bound declaration of foreign assets and income by small taxpayers, with tax/fee payable based on source and limited immunity from penalty and prosecution.
- **Exclusions:** cases involving prosecution or proceeds of crime.

***Effective from: date to be notified by Central Government.***

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

- Exemption from prosecution for foreign assets (other than immovable property) with aggregate value  $\leq$  **Rs. 20 lakh**.

***Effective retrospectively from October 1, 2024.***

### **Rationalizing the period of block in case of other persons**

- **Section 295:** Deals with undisclosed income of "other persons" (not the person under search/requisition).
- Seized assets or documents related to other persons are handed to their Assessing Officer, who proceeds under **section 294**.
- Currently, block period for other persons is the same as that for the specified person, regardless of the number of years involved.
- **Issue:** Third persons with undisclosed income for a single year must undergo full block assessment, increasing compliance burden.
- **Proposed amendment:** limit the block period for third persons to relevant years only.

***Effective from April 1, 2026 for searches or requisitions initiated on or after that date.***

## Referencing the time limit to complete block assessment to the initiation of search or requisition

- **Section 296:** Prescribes time limit for completing block assessment under section 294.
- Presently: The 12-month limit is counted from the **end of the quarter in which the last search/requisition** was executed.
- **Proposed amendment:** Use **date of initiation of search/requisition** as reference point for limitation.
- Proposed assessment period extended from **12 months to 18 months** for such cases.
- Effective from **April 1, 2026** for searches or requisitions initiated on or after that date.

## Rationalisation of Penalties into Fee

- **Section 446:** Penalty for failure to get accounts audited – lesser of 0.5% of turnover or Rs. 1,50,000.
- **Section 447:** Penalty of Rs. 1,00,000 for failure to furnish report under section 172 (international/specified domestic transactions).
- **Section 454:** Penalty for failure to furnish statement of financial transactions/reportable accounts – Rs. 500/day or Rs. 1,000/day under certain notices.
- Proposal: Convert penalties for **technical delays** into **mandatory fees** to reduce litigation.
- **Section 446 penalty** → Graded fee of Rs. 75,000 & 1,50,000 depending on delay.
- **Section 447 penalty** → Graded fee of Rs. 50,000 & 1,00,000 depending on delay.
- **Section 454(1) penalty** → Capped at Rs. 1,00,000.

**Effective from April 1, 2026**

## Penalty, Appeals and Prosecution-Rationalised Framework

- Assessment and penalty proceedings merged into a single composite order.
- No interest on penalty amount during pendency of first appeal.
- Pre-deposit for appeal reduced from 20% to 10% of first tax demand (excluding interest and penalty amount).
- **Section 220:** Interest under 220(2) to be charged only **after CIT(A) or ITAT decision** (for appeals against DRP orders).

**Effective in Income-tax Act, 2025: from April 1, 2026, applicable to assessments/drafts under sections 275, 270, 279 made on or after April 1, 2027.**

*\*Similar amendments in Income-tax Act, 1961 (sections 274, 220, 234 MA), effective March 1 2026, applicable to drafts/assessments under sections 144C, 143, 147 on or after April 1, 2027.*

### **Increase in maximum amount of penalty in section 466 of the Act:**

**Maximum penalty** under section 466 increased from Rs. 1,000 to **Rs. 25,000**.

***Effective from April 1, 2026***

### **Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income:**

- **Section 195** taxes unexplained income under sections **102–106**.
- **Earlier:** Such income was taxed at **60%**, with an additional **10% penalty under section 443**.
- **Proposed amendments: Tax rate reduced from 60% to 30%.**
- **Section 443 penalty is omitted.**
- Penalty on such income will now be covered under **misreporting of income – section 439(11)**.

***Effective from: April 1, 2026***

### **Expanding the scope of immunity from penalty or prosecution under section 440 of the Act**

- Scope of Immunity from penalty and prosecution u/s 440 increased to include misreporting of income, on payment of additional tax @ 100% of tax payable.
- For unexplained income, immunity allowed on additional tax @ 120%.

***Effective from: April 1, 2026***

### **Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA**

- Scope of Immunity from penalty and prosecution u/s 270AA increased to include misreporting of income, on payment of additional tax @ 100% of tax payable.

***Effective from: March 1, 2026, applicable for AY 2026-27 and earlier AYs.***

### **Amendment of section 169 of the Income-tax Act, 2025 relating to providing effect to advance pricing agreements**

- Presently, only the person entering into an APA can file a modified return; associated enterprises (AEs) affected by the APA cannot file/modify returns or claim refund of excess tax paid or TDS.

- **Proposed Amendment:** Where income is modified due to an APA, the APA signatory or any associated enterprise may file a return or modified return, strictly in accordance with the APA.
- **Time limit:** Within 3 months from the end of the month in which the APA is entered into.
- **Applicability:** APAs entered on or after 1 April 2026, for TYs covered by the APA, starting from TY 2026-27 onwards.

***Effective from: April 1, 2026***

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

- MAT rate reduced to 14% from 15%.
- Old MAT credit can be utilised only in the new regime for Domestic companies up to 25% of tax liability and foreign companies up to difference between normal tax and MAT in years where normal tax is higher.
- No MAT credit accumulation from April 1, 2026.

***Effective from: April 1, 2026***

### **Rationalisation of TCS rates**

- Sale of alcoholic liquor for human consumption: 1% → 2%
- Sale of tendu leaves: 5% → 2%
- Sale of scrap: 1% → 2%
- Sale of minerals (coal, lignite, iron ore): 1% → 2%
- Remittance under LRS for education/medical purposes (amount > Rs. 10 lakh): 5% → 2%; other purposes: 20% (unchanged)
- Sale of overseas tour packages: 5%/20% → flat 2%, threshold removed to prevent shifting business abroad.

### **Non-Allowability of Interest Deduction Against Dividend Income**

- Presently, section 93 allows interest deduction incurred to earn such income, which is capped at 20% of gross dividend or mutual fund income.
- **Proposed amendment:** to completely disallow interest deduction against dividend income or income from mutual fund units.

***Effective from: April 1, 2026***

### **Taxation of Buyback of Shares**

- Presently, consideration received on buy-back of shares is treated as dividend income. Cost of shares extinguished is recognised separately as capital loss under section 69.

- **Proposed Amendment:**

- Buy-back consideration will now be taxed as Capital Gains instead of dividend.
- Promoters: Effective tax rate on gains = 30% (applicable rate + additional tax).
- Promoter Companies: Effective tax rate = 22%.

***Effective Date: From April 1, 2026***

**Deductions in respect of dividends received and distributed by certain cooperative societies**

- Presently, deduction on interest/dividend from other cooperative societies is currently allowed only under old tax regime; dividends from companies are taxable.
- **Proposed amendment:** Deduction allowed on dividends received from other cooperative societies, to the extent distributed to members, applicable only under new regime.
- Notified federal cooperative societies: Deduction allowed on dividends from companies for 3 years (up to TY 2028-29) under both regimes, for investments made up to 31-01-2026 and dividends distributed to members.

***Effective Date: From April 1, 2026***

**No TDS on Interest for Banking Cooperative Societies**

- TDS not to be deducted on interest income (other than interest on securities) credited or paid to any cooperative society engaged in banking, including cooperative land mortgage banks.

***Effective Date: April 1, 2026.***

**Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction**

- Presently, section 29 allows deduction of employee welfare contributions made by the employer only if employee contribution is credited by statutory due date under relevant laws.
- **Proposed amendment:** The due date for claiming deduction will be the due date for filing the return of income under section 263(1).

***Effective from: April 1, 2026.***

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

- Interest on compensation received under the Motor Vehicles Act, 1988 by an individual or legal heir due to Death, Permanent disability, Bodily injury will be exempt from tax.

***Effective from: April 1, 2026.***

### **No tax to be deducted at source in respect of interest on compensation amount awarded by MACT to an individual**

- **Present:** TDS on interest from MACT compensation > Rs. 50,000 in a TY.
- **Proposed amendment:** No TDS on interest from MACT compensation to an individual., irrespective of amount.

***Effective from: April 1, 2026.***

### **Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax**

- **Section 395** deals with certificates for TDS/TCS at lower or nil rates.  
**Earlier:** Payee had to apply manually to the Assessing Officer.  
**Proposed amendment:** Application process **shifted from manual to electronic filing.**

***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.**

- Presently, TAN is mandatory when the seller is non-resident.
- Resident individuals and HUFs will not be required to obtain TAN for TDS on purchase of immovable property from a non-resident.

***Effective from: October 1, 2026.***

### **Application of TDS on supply of manpower**

- It is proposed to include supply of manpower within the definition of “work” under section 402(47).
- Accordingly, TDS provisions shall be applicable to payments for supply of manpower.

***Effective from: April 1, 2026.***

### **Income Computation and Disclosure Standards**

- The ICDS requirements are now to be incorporated in the IND AS itself. The requirement of ICDS will be scrapped with effect from the TY 2027-28.

## STT on futures and options:

- **Current law:** STT on derivatives is levied at relatively lower rates.
- **Existing rates:**
  - Sale of options: **0.1%** of the option premium
  - Exercised options: **0.125%** of the intrinsic value
  - Sale of futures: **0.02%** of the traded price
- **Budget 2026 proposal:** STT rates are proposed to be **increased only for derivatives.**
- **Revised rates proposed:**
  - Sale of options: increased to **0.15%** of the option premium
  - Exercised options: increased to **0.15%** of the intrinsic value
  - Sale of futures: increased to **0.05%** of the traded price.

# TRANSFER PRICING PROPOSALS



The budget introduces significant transfer pricing reforms to ease compliance burden and foster economic stability. These measures signal a decisive step towards a more predictable, transparent and growth-friendly fiscal environment. Key changes enhances tax certainty while reinforcing India's commitment to sustainable development and global competitiveness.

## **Safe Harbour Regime: IT/ITES/R&D Services**

- **Unified Category:** Software development, ITES, KPO, and Contract R&D services consolidated into single "Information Technology Services" category.
- **Reduced Mark-up:** Safe harbour rate reduced from 17-24% to common rate of 15.50%, enhancing scheme attractiveness.
- **Expanded Threshold:** Revenue threshold increased from INR 300 crore to INR 2000 crore, enabling more taxpayers to benefit.
- **Automated Approval:** Rule-driven automated process eliminates year-on-year tax officer examination, reducing approval timelines and bias.

## **Advance Pricing Agreement Reforms**

- **Extended Modified Return:** Both APA applicant and Associated Enterprise can now file modified returns within 3 months of agreement.
- **Fast-Track Process:** IT services companies get fast-track Unilateral APA process: conclusion within 2 years, extendable by 6 months.
- **Tax Symmetry:** AEs can claim refunds of excess tax or TDS, ensuring improved cash-flow efficiency and smoother implementation.

## **Assessment Timeline Clarifications**

- **TPO Order Timing**  
Clarified that limitation date is included when computing 60 days. Retrospective effect from June 1, 2007.
- **Old Act:** Due dates 30/31 January or 1 November.
- **New Act:** One month prior to limitation expiry (31 January/31 October)
- **Section 144C Time Limits**  
Time for completing assessment post ITAT/CIT(A) extended by DRP proceedings timeline if taxpayer opts for DRP route.

# INDIRECT TAX PROPOSALS



The Indirect Tax Proposals under the Union Budget 2026–27 reflect the Government's continued focus on simplification, rationalisation, and ease of compliance, while safeguarding revenue and supporting economic growth. The proposals primarily address changes under Goods and Services Tax (GST) and Customs duty, with an emphasis on improving trade facilitation, strengthening domestic manufacturing, and ensuring affordability of essential goods.

## **Penalties & Fees: Key Changes**

- **Form 3CEB Delay:** Penalty reclassified as graded fee: ₹50,000 or ₹1,00,000 depending on delay period.
- **Combined Orders:** Single order for both assessment and penalty for under reporting/mis-reporting. Interest charged only after CIT(A)/ITAT order.
- **Expanded Immunity:** Immunity from penalty extended to misreporting cases upon payment of 100% additional tax on misreported income.

## **Prosecution Proceedings Rationalized**

- **Decriminalization**  
Rigorous imprisonment of up to 7 years for tax offences has been decriminalized.  
Maximum imprisonment reduced to 2 years (first offence) and 3 years (subsequent offences).
- **Graded Approach**
  - Punishments based on tax amount involved
  - Fines alone where tax evasion ≤ ₹10 lakh
  - Fine introduced in lieu of or in addition to imprisonment
  - More proportionate and business-friendly framework

## **Key Takeaways**

- **Enhanced Certainty:** Safe harbour reforms provide greater tax predictability for IT services and captive centres.
- **Faster Resolution:** Fast-track APAs and automated approvals reduce timelines and compliance burden.
- **Balanced Approach:** Rationalized penalties and reduced pre-deposits create more taxpayer-friendly environment.
- **Global Competitiveness:** Reforms align India with global best practices, attracting investment and fostering growth.

# KEY GST AMENDMENTS

## **Amendment of Section 15 (Valuation of Supply)**

- Post-sale discounts can now be deducted from supply value even if determined after the supply.
- No requirement for prior agreement or linkage to the original invoice.
- Credit notes can be issued for such discounts, provided the recipient reverses the corresponding ITC.

**Impact:** Simplifies valuation, reduces disputes, and provides flexibility in commercial pricing.

## **Amendment of Section 34 (Credit Notes)**

- Aligned with the updated valuation rules under Section 15.
- Credit notes can now legally reflect post-sale discounts without valuation conflicts.

**Impact:** Ensures clarity and consistency between invoicing and valuation adjustments.

## **Amendment of Section 54(6) (Refunds)**

- Section 54(6) of the CGST Act amended to extend provisional refund facility to refunds arising from IDS (tax on inputs > outputs)
- Up to 90% of the claimed IDS refund can now be sanctioned provisionally.
- Provisional refund to be granted within 7 days from the date of acknowledgment.
- Sanction based on system-based risk evaluation, similar to zero-rated supplies.

**Impact:** Improves liquidity and cash flow for taxpayers facing IDS.

## **Amendment of Section 54(14) (Refunds)**

- Section 54(14) of the CGST Act amended to remove the Rs.1,000 minimum threshold for sanction of export refund claims.
- Refunds allowed for any amount in case of exports with payment of tax.

**Impact :** Major benefit for micro and small exporters dealing in low-value export consignments.

## **Amendment of Section 101A (Interim Appellate Mechanism)**

**Section 101A(1A) inserted** empowering the Central Government, on GST Council's recommendation, to **authorise an existing authority/tribunal** to hear appeals against advance rulings pending constitution of **NAAAR**.

- Sections 101A(2)–(13) made inapplicable, **and references to NAAAR** deemed to mean the authorised authority/tribunal.

**Impact:** Ensures continuity of appeals process, reduces legal uncertainty, and maintains smooth dispute resolution.

### **Amendment of Section 13 – IGST Act, 2017**

(Place of Supply of Services – Cross-Border Transactions)

- Section 13 has been amended to simplify determination of place of supply where either the supplier or recipient is located outside India.
- The amendment aims to remove ambiguity and prevent double taxation or non-taxation of services.
- Greater emphasis on actual place of consumption of services, aligning with IGST principles.
- Clarifications introduced to ensure uniform treatment of export of services and reduce interpretational disputes.
- Provisions rationalised to bring consistency with international GST/VAT practices.

**Impact:**

- Improved clarity for exporters of services.
- Reduced litigation in cross-border service transactions.
- Enhanced ease of compliance and certainty in IGST applicability.

# CUSTOM HIGHLIGHTS

- Customs duty rationalization: removal of outdated exemptions, tariff simplification.
  - Support for exports and domestic manufacturing, e.g., duty-free imports for critical inputs.
  - Ease-of-living measures: customs duty on personal imports reduced from 20% to 10%.
  - Strategic sectors (aviation, nuclear, biogas, defence) get targeted duty exemptions.
  - Trade facilitation: faster clearances, extended duty deferrals, longer binding for advance rulings.
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## Disclaimer

This document is intended for the Firm's personnel and clients, it provides a summary of key direct and indirect tax proposals announced in the Union Budget 2026. While due care has been taken to ensure accuracy, the information is provided for general guidance only and should not be considered as professional advice.

Readers are advised to seek appropriate professional guidance before acting on the contents of this document. The Firm does not accept any liability for decisions taken based on this publication.



# GLOSSARY

Act	Income Tax Act, 2025 (except as otherwise stated)
AOP	Association of Persons
AJP	Artificial Juridical Person
APA	Advance Pricing Agreement
AY	Assessment Year
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CGST Act	Central Goods And Services Tax Act, 2017
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
DRP	Dispute Resolution Panel

DTAA	Double Taxation Avoidance Agreement
GST	Goods and Services Tax
GSTAT	Goods and Services Tax Appellate Tribunal
HUF	Hindu Undivided Family
IDS	Inverted Duty structure
IGST Act	Integrated Goods and Services Tax Act, 2017
IND-AS	Indian Accounting Standards
IT	Information technology
ITC	Input Tax Credit
ITES	IT Enabled services
ITR	Income Tax Return
ITAT	Income Tax Appellate Tribunal
KPO	Knowledge Process Outsourcing
LLP	Limited Liability Partnership

LRS	Liberalised Remittance Scheme
MACT	Motor Accidents Claims Tribunal
MAT	Minimum Alternate Tax
NAAAR	National Appellate Authority for Advance Ruling
PE	Permanent Establishment
R&D	Research and Development
STT	Securities Transaction Tax
SWD	Software Development
TAN	Tax (deduction and collection) account number
TCS	Tax Collected at Source
TPO	Transfer Pricing Officer
TDS	Tax Deducted at Source
TY	Tax Year
VAT	Value Added Tax

# For Professional Assistance

Let's Connect--

## Our Offices

<b>Delhi (NCR)</b>	# 1117-1119, 11TH Floor, DLF Galleria Tower	DLF Phase IV, Gurgaon 122002 India	<ul style="list-style-type: none"><li>• T + 91 124 257 0888</li><li>• F + 91 124 257 8088</li></ul>
<b>Dehradun</b>	1, Tyagi Road,	Dehradun, 248001 India	<ul style="list-style-type: none"><li>• T + 91 135 262 6795</li><li>• F + 91 135 262 7795</li></ul>
<b>Roorkee</b>	354B, 30 Civil Lines,	Roorkee 247667 India	<ul style="list-style-type: none"><li>• T + 91 1332 27 3343</li><li>• F + 91 1332 27 7272</li></ul>
<b>Mumbai</b>	B-304, New India Chambers, MIDC Road,	Andheri East, Mumbai 400 093	<ul style="list-style-type: none"><li>• T + 91 22 2825 4911</li></ul>

## Our Partners

- Hemant K Arora
- Jeetan Nagpal
- Sanjay Arora
- Prabhat Rastogi
- Kamal Nagpal
- Pallavi
- Khusboo Kinger

## Phone & Email

Name	Position	Phone	Email
<b>Hemant K. Arora</b>	Managing Partner Roorkee	+ 91 98370 39666	hemant.arora@hemantarora.in
<b>Jeetan Nagpal</b>	Sr. Partner & Head (Direct Tax Practice) Gurgaon	+ 91 98370 28795	jeetan.nagpal@hemantarora.in
<b>Sanjay Arora</b>	Senior Partner Dehradun	+ 91 97562 08586	sanjay.arora@hemantarora.in
<b>Pavitra H. Arora</b>	CEO Roorkee	+ 91 97604 07774	pavitra.arora@hemantarora.in

[www.hemantarora.in](http://www.hemantarora.in)