



**GOVERNMENT OF INDIA**

## **BUDGET 2026-2027**

**SPEECH  
OF  
NIRMALA SITHARAMAN  
MINISTER OF FINANCE**

*February 1, 2026*



## **CONTENTS**

	<b>Page No.</b>
<b>Introduction</b>	<b>1</b>
<hr/>	
<b>PART - A</b>	
<b>Yuva Shakti and 3 kartavya</b>	<b>2</b>
<b>Reform Express</b>	<b>3</b>
<b>First kartavya: to accelerate and sustain economic growth</b>	<b>3</b>
<b>Second kartavya: fulfil aspirations and build capacity</b>	<b>10</b>
<b>Third kartavya: Sabka Sath, Sabka Vikas</b>	<b>14</b>
<b>16<sup>th</sup> Finance Commission</b>	<b>18</b>
<b>Fiscal Consolidation</b>	<b>18</b>
<hr/>	
<b>PART – B</b>	
<b>Direct taxes</b>	<b>20</b>
<b>Indirect Taxes</b>	<b>26</b>
 <b>Annexure to Part-A</b>	<b>32</b>
<b>Annexure to Part-B</b>	
<b>Amendments relating to Direct Taxes</b>	<b>33</b>
<b>Amendments relating to Indirect Taxes</b>	<b>50</b>



## **Budget 2026-2027**

**Speech of  
Nirmala Sitharaman  
*Minister of Finance***

**February 1, 2026**

Hon'ble Speaker,

On the sacred occasion of Magha Purnima and the birth anniversary of Guru Ravidas, I present the Budget for the year 2026-2027.

**Introduction**

1. Since we assumed office 12 years ago, India's economic trajectory has been marked by stability, fiscal discipline, sustained growth and moderate inflation. This is the result of conscious choices we have made, even in times of heightened uncertainty and disruption. Our Government, led by Hon'ble Prime Minister Modi, has decisively and consistently chosen action over ambivalence, reform over rhetoric and people over populism.

2. We have pursued far reaching structural reforms, fiscal prudence and monetary stability whilst maintaining a strong thrust on public investment. Keeping *atmanirbharta* as a lodestar, we have built domestic manufacturing capacity, energy security and reduced critical import dependencies. Simultaneously, we have ensured that citizens benefit from every action of the Government, undertaking reforms to support

employment generation, agricultural productivity, household purchasing power and universal services to people. These measures have delivered a high growth rate of around 7% and helped us make substantial strides in poverty reduction and improvement in the lives of our people.

**3.** Today, we face an external environment in which trade and multilateralism are imperilled and access to resources and supply chains are disrupted. New technologies are transforming production systems while sharply increasing demands on water, energy and critical minerals.

**4.** India will continue to take confident steps towards Viksit Bharat, balancing ambition with inclusion. As a growing economy with expanding trade and capital needs, India must also remain deeply integrated with global markets, exporting more and attracting stable long-term investment.

### **Part A**

**5.** As I begin Part A, I want to express my gratitude to the people for standing firmly with us as we forge our way together towards becoming one of the largest economies of the world.

**6.** Our aim is to transform aspiration into achievement and potential into performance, as we ensure that the dividends of growth reach every farmer, the scheduled caste, the scheduled tribes, the nomads, the youth, the poor and the women.

**7.** In the Viksit Bharat Young Leaders Dialogue 2026, several innovative ideas were shared with our Prime Minister, which have inspired many of the proposals, making this a unique **Yuva Shakti-driven Budget**.

**8.** Our Government's 'Sankalp' is to focus on our poor, underprivileged and the disadvantaged. To deliver on this Sankalp, and given that this is the first Budget prepared in Kartavya Bhawan, we are inspired by 3 *kartavya*:

**9.** Our **first kartavya** is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.

**10.** Our **second kartavya** is to fulfil aspirations of our people and build their capacity, making them strong partners in India's path to prosperity.

**11.** Our **third kartavya**, aligned with our vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

**12.** This threefold approach requires a supportive ecosystem. The first requirement is to sustain the **momentum of structural reforms**—continuous, adaptive, and forward-looking. Second, a **robust and resilient financial sector** is central to mobilising savings, allocating capital efficiently and managing risks. Third, **cutting-edge technologies, including AI applications**, can serve as force multipliers for better governance.

### **Reform Express**

**13.** Our Government has undertaken comprehensive economic reforms towards creating employment, boosting productivity and accelerating growth. After the Prime Minister's announcement on Independence Day in 2025, over 350 reforms have been rolled out. These include GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders. High Level Committees have been formed and in parallel, the Central Government is working with the State Governments on deregulation and reducing compliance requirements.

**14.** The Reform Express is well on its way and will maintain its momentum to help us fulfil our kartavya.

I now move to the specific proposals.

**15.** Under our first kartavya to accelerate and sustain economic growth, I propose interventions in six areas: i) Scaling up manufacturing in 7 strategic and frontier sectors; ii) Rejuvenating legacy industrial sectors; iii) Creating "Champion MSMEs"; iv) Delivering a powerful push to Infrastructure; v) Ensuring long-term energy security and stability; and vi) Developing City Economic Regions.

**Scaling up manufacturing in 7 strategic and frontier sectors:**

**16. Biopharma SHAKTI (*Strategy for Healthcare Advancement through Knowledge, Technology and Innovation*)** – India's disease burden is observed to be shifting towards non-communicable diseases, like diabetes, cancer and autoimmune disorders. Biologic medicines are key to longevity and quality of life at affordable costs. To develop India as a global Biopharma manufacturing hub, I propose the **Biopharma SHAKTI** with an outlay of ₹ 10,000 crores over the next 5 years. This will build the ecosystem for domestic production of biologics and biosimilars. The Strategy will include a Biopharma-focused network with 3 new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading 7 existing ones. It will also create a network of over 1000 accredited India Clinical Trials sites. We propose to strengthen the Central Drugs Standard Control Organisation to meet global standards and approval timeframes through a dedicated scientific review cadre and specialists.

**17. India Semiconductor Mission (ISM) 1.0** expanded India's semiconductor sector capabilities. Building on this, we will **launch ISM 2.0** to produce equipment and materials, design full-stack Indian IP, and fortify supply chains. We will also focus on industry-led research and training centres to develop technology and skilled workforce.

**18. The Electronics Components Manufacturing Scheme**, launched in April 2025 with an outlay of ₹22,919 crore, already has investment commitments at double the target. We propose to increase the outlay to ₹40,000 crore to capitalise on the momentum.

**19.** A Scheme for Rare Earth Permanent Magnets was launched in November 2025. We now propose to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to **establish dedicated Rare Earth Corridors** to promote mining, processing, research and manufacturing.

**20.** To enhance domestic chemical production and reduce import-dependency, we will launch a Scheme to support States in **establishing 3 dedicated Chemical Parks**, through challenge route, on a cluster-based plug-and-play model.

**21.** Strong **capital goods** capability is a determinant of productivity and quality across different sectors. Towards building this capacity, I propose the following:

- (a) **Hi-Tech Tool Rooms** will be established by CPSEs at 2 locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost.
- (b) A **Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)** will be introduced to strengthen domestic manufacturing of high-value and technologically-advanced CIE. This can range from lifts in a multi-story apartment, fire-fighting equipment, large and small, to tunnel-boring equipment for building metros and high-altitude roads.
- (c) I also propose a **Scheme for Container Manufacturing** to create a globally competitive container manufacturing ecosystem, with a budgetary allocation of ₹10,000 crore over a 5 year period.

**22.** For the labour-intensive Textile Sector, I propose an **Integrated Programme** with 5 sub-parts:

- (a) The National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres, and new-age fibres;
- (b) Textile Expansion and Employment Scheme to modernise traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres;
- (c) A National Handloom and Handicraft programme to integrate and strengthen existing schemes and ensure targeted support for weavers and artisans;
- (d) Tex-Eco Initiative to promote globally competitive and sustainable textiles and apparels;

(e) Samarth 2.0 to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions.

**23.** Further, I propose to set up Mega Textile Parks in challenge mode. They can also focus on bringing value addition to technical textiles.

**24.** I propose to launch the Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom and handicrafts. This will help in global market linkage and branding. It will streamline and support training, skilling, quality of process and production. This will benefit our weavers, village industries, One - District – One - Product initiative and rural youth.

**25.** India has the potential to emerge as a global hub for high quality, affordable **sports goods**. I propose a dedicated initiative for sports goods that will promote manufacturing, research and innovation in equipment design as well as material sciences.

#### **Rejuvenation of Legacy Industrial Clusters**

**26.** I propose to introduce a Scheme to revive 200 legacy industrial clusters to improve their cost competitiveness and efficiency through infrastructure and technology upgradation.

#### **Creating “Champion SMEs” and supporting micro enterprises:**

**27.** Recognising MSMEs as a vital engine of growth, I propose a three-pronged approach to help them grow as ‘Champions’:

#### **Equity Support**

**28.** I propose to introduce a dedicated ₹10,000 crore **SME Growth Fund**, to create future Champions, incentivizing enterprises based on select criteria.

**29.** I also propose to top up the Self-Reliant India Fund set up in 2021, with ₹2,000 crore to continue support to micro enterprises and maintain their access to risk capital.

### **Liquidity Support**

**30.** With TReDS, more than ₹7 lakh crore has been made available to MSMEs. To leverage its full potential, I propose 4 measures: (i) mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates; (ii) introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on TReDS platform; (iii) link GeM with TReDS for sharing information with financiers about government purchases from MSMEs, encouraging cheaper and quicker financing; (iv) introduce TReDS receivables as asset-backed securities, helping develop a secondary market, enhancing liquidity and settlement of transactions.

### **Professional Support**

**31.** Government will facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of ‘Corporate Mitras’, especially in Tier-II and Tier-III towns. These accredited para-professionals will help MSMEs meet compliance requirements at affordable costs.

### **Infrastructure**

**32.** During this past decade our Government has undertaken several initiatives for large-scale enhancement of public infrastructure including through new financing instruments such as Infrastructure Investment Trusts (InVITs) and Real Estate Investment Trusts (REITs) and institutions like NIIF and NABFID. We shall continue to focus on developing infrastructure in cities with over 5 lakh population (Tier II and Tier III), which have expanded to become growth centres.

**33.** **Public capex** has increased manifold from ₹2 lakh crore in FY2014-15 to an allocation of ₹11.2 lakh crore in BE 2025-26. In FY2026-27, I propose to increase it to ₹12.2 lakh crore to continue the momentum.

**34.** To strengthen the confidence of private developers regarding risks during infrastructure development and construction phase, I propose to set up an **Infrastructure Risk Guarantee Fund** to provide prudently calibrated partial credit guarantees to lenders.

**35.** Over the years, REITs have emerged as a successful instrument for asset monetisation. I propose to accelerate recycling of significant **real estate assets of CPSEs through the setting up of dedicated REITs.**

**36.** To promote environmentally sustainable movement of cargo, I propose to: a) Establish new **Dedicated Freight Corridors** connecting Dankuni in the East, to Surat in the West; b) operationalise **20 new National Waterways (NW)** over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra. **Training Institutes** will be set up as Regional Centres of Excellence for development of the required manpower. This will benefit youth in the entire stretch of the waterways to train and acquire skills. Further, a **ship repair ecosystem** catering to inland waterways will also be set up at Varanasi and Patna; c) launch a **Coastal Cargo Promotion Scheme** for incentivising a modal shift from rail and road, to increase the share of inland waterways and coastal shipping from 6 % to 12 % by 2047.

**37.** To enhance last-mile and remote connectivity, and promote tourism, I propose to give incentives to indigenize manufacturing of seaplanes. A **Seaplane VGF Scheme** will be also be introduced to provide support for operations.

#### **Carbon Capture Utilization and Storage (CCUS)**

**38.** Aligning with the roadmap launched in December 2025, CCUS technologies at scale will achieve higher readiness levels in end-use applications across five industrial sectors, including, power, steel, cement, refineries and chemicals. An outlay of ₹20,000 crore is proposed over the next 5 years.

#### **City Economic Regions**

**39.** Cities are India's engines of growth, innovation, and opportunities. We shall now focus on Tier II and Tier III cities, and even temple-towns, which need modern infrastructure and basic amenities. This Budget aims to further amplify the potential of cities to deliver the economic power of agglomerations by mapping city economic regions (CER), based on their specific growth drivers. An allocation of ₹ 5000 crore per CER over 5 years is proposed for implementing their plans

through a challenge mode with a reform-cum-results based financing mechanism.

**40.** In order to promote environmentally sustainable passenger systems, we will develop seven **High-Speed Rail corridors between cities as ‘growth connectors’**, namely i) Mumbai-Pune, ii) Pune-Hyderabad, iii) Hyderabad-Bengaluru, iv) Hyderabad-Chennai, v) Chennai-Bengaluru, vi) Delhi-Varanasi, vii) Varanasi-Siliguri.

#### **Financial Sector**

**41.** The Indian banking sector today is characterised by strong balance sheets, historic highs in profitability, improved asset quality and coverage exceeding 98% of villages in the country. At this juncture, we are well-placed to futuristically evaluate the measures needed to continue on the path of reform-led growth of this sector.

**42.** I propose setting up a “**High Level Committee on Banking for Viksit Bharat**”, to comprehensively review the sector and align it with India’s next phase of growth, while safeguarding financial stability, inclusion and consumer protection.

**43.** The vision for **NBFCs for Viksit Bharat** has been outlined with clear targets for credit disbursement and technology adoption. In order to achieve scale and improve efficiency in the Public Sector NBFCs, as a first step, it is proposed to **restructure the Power Finance Corporation and Rural Electrification Corporation**.

**44.** I propose a comprehensive review of the **Foreign Exchange Management (Non-debt Instruments) Rules** to create a more contemporary, user-friendly framework for foreign investments, consistent with India’s evolving economic priorities.

#### **Corporate Bond Market**

**45.** I propose to introduce a market making framework with suitable access to funds and derivatives on corporate bond indices. I also propose to introduce total return swaps on corporate bonds.

#### **Municipal Bonds**

**46.** To encourage the issuance of municipal bonds of higher value by large cities, I propose an incentive of ₹100 crore for a single bond issuance

of more than ₹1000 crore. The current scheme under AMRUT which incentivises issuances up to ₹200 crore, will also continue to support smaller and medium towns.

#### **Ease of Doing Business**

**47.** Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to increase the investment limit for an individual PROI under this scheme from 5% to 10%, with an overall investment limit for all individual PROIs to 24%, from the current 10%.

#### **Emerging technologies, including AI**

**48.** 21<sup>st</sup> Century is technology driven. Adoption of technology is for the benefit of all people - farmers in the field, women in STEM, youth keen to upskill and Divyangjan to access newer opportunities. The Government has taken several steps to support new technologies through AI Mission, National Quantum Mission, Anusandhan National Research Fund, and Research, Development and Innovation Fund.

**49.** Our second kartavya is to fulfil aspirations and build capacity. Close to 25 crore individuals have come out of multidimensional poverty through a decade of our Government's sustained and reform-oriented efforts.

**50.** Our Government has therefore decided to place a renewed emphasis on the Services Sector to provide a pathway to fulfilling aspirations of a youthful India, with the following measures.

#### **High-Powered 'Education to Employment and Enterprise' Standing Committee**

**51.** I propose to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat. This will make us a global leader in services, with a 10% global share by 2047. The Committee will prioritise areas to optimise the potential for growth, employment and exports. They will also assess the impact of emerging technologies, including AI, on jobs and skill requirements and propose measures thereof.

### **Creation of Professionals for Viksit Bharat**

**52.** To create a new range of skilled career pathways for our youth, I propose interventions in the following sectors:

#### **Health**

**53.** Existing institutions for **Allied Health Professionals (AHPs)** will be upgraded and new AHP Institutions established in private and Government sectors. This will cover 10 selected disciplines, including optometry, radiology, anesthesia, OT Technology, Applied Psychology and Behavioural Health and add 100,000 AHPs over the next 5 years.

**54.** A strong **Care Ecosystem**, covering geriatric and allied care services will be built. A variety of NSQF-aligned programmes will be developed to train multiskilled caregivers combining core care and allied skills, such as, wellness, yoga and operation of medical and assistive devices. In the coming year, 1.5 lakh caregivers will be trained.

#### **Hubs for Medical Value Tourism**

**55.** To promote India as a hub for medical tourism services, I propose to launch a Scheme to support States in establishing **five Regional Medical Hubs**, in partnership with the private sector. These Hubs will serve as integrated healthcare complexes that combine medical, educational and research facilities. They will have AYUSH Centres, Medical Value Tourism Facilitation Centres and infrastructure for diagnostics, post-care and rehabilitation. These Hubs will provide diverse job opportunities for health professionals including doctors and AHPs.

#### **AYUSH**

**56.** Ancient Indian yoga, already respected in several parts of the world, was given mass global recognition when Hon'ble PM took it to the UN. Post-COVID, Ayurveda gained a similar global acceptance and recognition.

**57.** Exporting quality Ayurvedic products helps farmers who grow the herbs and the youth who process the products. To meet growing global demand, a few more steps are being taken.

**58.** I propose to (i) set up 3 new All India Institutes of Ayurveda; (ii) upgrade AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem, and make available more skilled personnel; (iii) upgrade the WHO Global Traditional Medicine Centre in Jamnagar to bolster evidence-based research, training and awareness for traditional medicine.

#### **Animal Husbandry**

**59.** Livestock contributes close to 16% of farm income, including of poor and marginal households. To scale up availability of **veterinary professionals** by more than 20,000, I propose to roll out a loan-linked capital subsidy support scheme for establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector. Collaboration between Indian and foreign institutions will also be facilitated.

#### **Orange Economy**

**60.** India's Animation, Visual Effects, Gaming and Comics (AVGC) sector is a growing industry, projected to require 2 million professionals by 2030. I propose to support the Indian Institute of Creative Technologies, Mumbai in setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.

#### **Design**

**61.** The Indian design industry is expanding rapidly and yet there is a shortage of Indian designers. I propose to establish through challenge route, a new National Institute of Design to boost design education and development in the eastern region of India.

#### **Education**

**62.** Our Government will support States, through challenge route, in creating **5 University Townships** in the vicinity of major industrial and logistic corridors. These planned academic zones will host multiple universities, colleges, research institutions, skill centres and residential complexes.

**63.** In Higher Education STEM institutions, prolonged hours of study and laboratory work pose some challenges for girl students. Through VGF/capital support, **1 girls' hostel will be established in every district.**

**64.** To promote Astrophysics and Astronomy via immersive experiences, **4 Telescope Infrastructure facilities** will be set up or upgraded - the National Large Solar Telescope, the National Large Optical-infrared Telescope, the Himalayan Chandra Telescope and the COSMOS-2 Planetarium.

#### **Tourism**

**65.** The Tourism sector has the potential to play a large role in employment generation, forex earnings and expanding the local economy.

**66.** I propose to set up a **National Institute of Hospitality** by upgrading the existing National Council for Hotel Management and Catering Technology. It will function as a bridge between academia, industry and the Government.

**67.** I also propose a **pilot scheme for upskilling 10,000 guides** in 20 iconic tourist sites through a standardized, high-quality 12-week training course in hybrid mode, in collaboration with an Indian Institute of Management.

**68.** A **National Destination Digital Knowledge Grid** will be established to digitally document all places of significance—cultural, spiritual and heritage. This initiative will create a new ecosystem of jobs for local researchers, historians, content creators and technology partners.

**69.** India has the potential and opportunity to offer world-class **trekking and hiking** experience. We will develop ecologically sustainable (i) Mountain trails in Himachal Pradesh, Uttarakhand and Jammu and Kashmir; Araku Valley in the Eastern Ghats and Podhigai Malai in the Western Ghats. (ii) Turtle Trails along key nesting sites in the coastal areas

of Odisha, Karnataka and Kerala; and (iii) Bird watching trails along the Pulikat lake in Andhra Pradesh and Tamil Nadu.

**70.** Under the visionary leadership of Honorable Prime Minister, we established the International Big Cat Alliance in 2024. This year, India is hosting the first ever Global Big Cat Summit, where heads of governments and ministers from 95 range countries will deliberate on collective strategies for conservation.

#### **Heritage and Culture Tourism**

**71.** I propose to develop 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace into vibrant, experiential cultural destinations. Excavated landscapes will be opened to the public through curated walkways. Immersive storytelling skills and technologies will be introduced to help conservation labs, interpretation centres, and guides.

#### **Sports**

**72.** The Sports Sector provides multiple means of employment, skilling and job opportunities. Taking forward the systematic nurturing of sports talent which is set in motion through the Khelo India programme, I propose to launch a **Khelo India Mission** to transform the Sports sector over the next decade.

**73.** The Mission will facilitate: a) An integrated talent development pathway, supported by training centres (foundational, intermediate and elite levels); b) systematic development of coaches and support staff; c) integration of sports science and technology; d) competitions and leagues to promote sports culture and provide platforms; and, e) development of sports infrastructure for training and competition.

**74.** **Our third kartavya** aligns with our vision of Sabka Sath, Sabka Vikas towards a Viksit Bharat.

**75.** This requires targeted efforts for a) **Increasing farmer incomes** through productivity enhancement and entrepreneurship, with special

attention to small and marginal farmers; **b) Empowering Divyangjan** through access to livelihood opportunities, training and high-quality assistive devices; **c) Empowering the vulnerable** to access mental health and trauma care; **d) Focus on the Purvodaya States and the North-East Region** to accelerate development and employment opportunities.

#### **Increasing Farmer Incomes**

**76. Fisheries:** We will undertake initiatives (i) for integrated development of 500 reservoirs and Amrit Sarovars (ii) strengthen the fisheries value chain in coastal areas and enable market linkages involving start-ups and women-led groups together with Fish Farmers Producer Organisations.

**77. Animal Husbandry:** To provide quality employment opportunities in rural and peri-urban areas, we will support the Animal Husbandry Sector in entrepreneurship development through: (a) a Credit-Linked Subsidy Programme (b) scaling-up and modernisation of livestock enterprises (c) enhance creation of livestock, dairy and poultry-focused integrated-value chains and (d) encourage creation of Livestock Farmer Producers Organisations.

**78. High Value Agriculture:** To diversify farm outputs, increase productivity, enhance farmers' incomes, and create new employment opportunities, we will support high value crops such as coconut, sandalwood, cocoa and cashew in our coastal areas. Agar trees in North East and nuts such as, almonds, walnuts and pine nuts in our hilly regions will also be supported.

**79.** India is the world's largest producer of coconuts. About 30 million people, including nearly 10 million farmers, depend on coconuts for their livelihood. To further enhance competitiveness in coconut production, I propose a **Coconut Promotion Scheme** to increase production and enhance productivity through various interventions

including replacing old and non-productive trees with new saplings/plants/varieties in major coconut growing States.

**80.** A dedicated programme is proposed for Indian cashew and cocoa to make India self-reliant in raw cashew and cocoa production and processing, enhance export competitiveness and transform **Indian Cashew and Indian Cocoa** into premium global brands by 2030.

**81.** **Sandalwood** is closely linked to India's social and cultural heritage. Our Government will partner with State Governments to promote focused cultivation and post-harvest processing to restore the glory of the Indian Sandalwood ecosystem.

**82.** To rejuvenate old, low-yielding orchards and expand high-density **cultivation of walnuts, almonds and pine nuts**, we will support a dedicated programme to enhance farmer incomes and in bringing value addition by engaging youth.

#### **Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources)**

**83.** I propose to launch Bharat-VISTAAR—a multilingual AI tool that shall integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems. This will enhance farm productivity, enable better decisions for farmers and reduce risk by providing customised advisory support.

#### **SHE-Marts for Rural Women-led Enterprises**

**84.** Building on the success of the Lakhpati Didi Programme, I propose to help women take the next step from credit-led livelihoods to being owners of enterprises. **Self-Help Entrepreneur (SHE) Marts** will be set up as community-owned retail outlets within the cluster level federations through enhanced and innovative financing instruments.

### **Empowering Divyangjan**

**85. Divyangjan Kaushal Yojana:** IT, AVGC sectors, Hospitality and Food and Beverages sectors offer task-oriented and process-driven roles, which are suitable for Divyangjans. We will ensure dignified livelihood opportunities through industry-relevant and customized training specific to each divyang group.

**86. Divyang Sahara Yojana:** Timely access to high-quality assistive devices for all eligible Divyangjans is a fundamental need. I propose to (i) support the Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale up production of assistive devices, invest in R&D and AI integration, (ii) strengthen PM Divyasha Kendras and support setting up of Assistive Technology Marts as modern retail-style centres where Divyangjans and senior citizens can see, try and purchase assistive products.

### **Reaffirming our commitment to Mental Health and Trauma Care**

**87.** There are no national institutes for mental healthcare in north India. We will therefore set up a NIMHANS-2 and also upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.

**88.** Emergencies expose families, particularly the poor and vulnerable, to unexpected expenditure. We will strengthen and increase these capacities by 50% in District Hospitals by establishing Emergency and Trauma Care Centres.

### **Focus on the Purvodaya States and the North-Eastern Region**

**89. Purvodaya:** I propose the development of an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 Purvodaya States, and the provision of 4,000 e-buses.

**90. Buddhist Sites in North-Eastern Region:** The North-Eastern Region is a civilizational confluence of Theravada and

Mahayana/Vajrayana traditions. I propose to launch a Scheme for Development of Buddhist Circuits in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura. The Scheme will cover preservation of temples and monasteries, pilgrimage interpretation centers, connectivity and pilgrim amenities.

#### **16<sup>th</sup> Finance Commission**

**91.** On 17<sup>th</sup> November 2025, the 16<sup>th</sup> Finance Commission submitted its report to the President. As mandated under Article 281 of the Constitution, the Government is to lay the Report along with the Explanatory Memorandum on the Action Taken Report on the recommendations of the Commission in Parliament. The Government has accepted the recommendation of the Commission to retain the vertical share of devolution at 41%. As recommended by the Commission, I have provided ₹1.4 lakh crore to the States for the FY 2026-27 as Finance Commission Grants. These include Rural and Urban Local Body and Disaster Management Grants.

#### **Fiscal Consolidation**

**92.** Government has been delivering on our fiscal commitments consistently without compromising on social needs. To strive towards accepted standards of fiscal management, in Budget 2025-26, I had indicated that the Central Government would target reaching a debt-to-GDP ratio of 50±1 percent by 2030-31.

**93.** In line with this, the debt-to-GDP ratio is estimated to be 55.6 percent of GDP in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26. A declining debt-to-GDP ratio will gradually free up resources for priority sector expenditure by reducing the outgo on interest payments.

**94.** One of the main operational instruments for debt targeting is the fiscal deficit. I am happy to inform this august House that I have fulfilled my commitment made in FY 2021-22 to reduce fiscal deficit below 4.5 percent of GDP by 2025-26. In RE 2025-26, the fiscal deficit has been

estimated at par with BE of 2025-26 at 4.4 percent of GDP. In line with the new fiscal prudence path of debt consolidation, the fiscal deficit in BE 2026-27 is estimated to be 4.3 percent of GDP.

#### **Revised Estimates 2025-26**

**95.** The Revised Estimates of the non-debt receipts are ₹34 lakh crore of which the Centre's net tax receipts are ₹26.7 lakh crore. The Revised Estimate of the total expenditure is ₹49.6 lakh crore, of which the capital expenditure is about ₹11 lakh crore.

#### **Budget Estimates 2026-27**

**96.** Coming to 2026-27, the non-debt receipts and the total expenditure are estimated as ₹36.5 lakh crore and ₹53.5 lakh crore respectively. The Centre's net tax receipts are estimated at ₹28.7 lakh crore.

**97.** To finance the fiscal deficit, the net market borrowings from dated securities are estimated at ₹11.7 lakh crore. The balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at ₹17.2 lakh crore.

I will now move to Part B.

## **PART B**

### **Direct Taxes**

Speaker Sir,

**98.** Now I present my proposals on Direct Taxes.

#### **New Income Tax Act**

**99.** In July 2024, I announced a comprehensive review of the Income Tax Act, 1961. This was completed in a record time and the Income Tax Act, 2025 will come into effect from 1<sup>st</sup> April, 2026.

**100.** The simplified Income Tax Rules and Forms will be notified shortly, giving adequate time to taxpayers to acquaint themselves with its requirements.

**101.** The forms have been redesigned such that ordinary citizens can comply without difficulty.

#### **Ease of Living**

**102.** I propose that any interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.

**103.** I propose to reduce TCS rate on the sale of overseas tour program package from the current 5 percent and 20 percent to 2 percent without any stipulation of amount.

**104.** I propose to reduce TCS rate for pursuing education and for medical purposes under the Liberalized Remittance Scheme (LRS) from 5 percent to 2 percent.

**105.** Supply of manpower services is proposed to be specifically brought within the ambit of payment to contractors for the purpose of TDS to avoid ambiguity. Thus, TDS on these services will be at the rate of either 1 percent or 2 percent only.

**106.** I propose a scheme for small taxpayers wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.

**107.** For the ease of taxpayers holding securities in multiple companies, I propose to enable depositories to accept Form 15G or Form 15H from the investor and provide it directly to various relevant companies.

**108.** I propose to extend time available for revising returns from 31<sup>st</sup> December to up to 31<sup>st</sup> March with the payment of a nominal fee.

**109.** I also propose to stagger the timeline for filing of tax returns. Individuals with ITR 1 and ITR 2 returns will continue to file till 31<sup>st</sup> July and non-audit business cases or trusts are proposed to be allowed timetill 31<sup>st</sup> August.

**110.** TDS on the sale of immovable property by a non-resident is proposed to be deducted and deposited through resident buyer's PAN based challan instead of requiring TAN.

**111.** To address practical issues of small taxpayers like students, young professionals, tech employees, relocated NRIs, and such others, I propose to introduce a one-time 6-month foreign asset disclosure scheme for these taxpayers to disclose income or assets below a certain size.

**112.** This scheme would be applicable for two categories of taxpayers namely,

(A) who did not disclose their overseas income or asset and

(B) who disclosed their overseas income and/or paid due tax, but could not declare the asset acquired.

For category (A), the limit of undisclosed income/asset is proposed to be up to 1 crore rupees. They need to pay 30 percent of Fair Market Value of asset or 30 percent of undisclosed income as tax and 30 percent as additional income tax in lieu of penalty and would thereby get immunity from prosecution.

For category (B), asset value is proposed to be up to 5 crore rupees. Here, immunity from both penalty and prosecution will be available with the payment of fee of 1 lakh rupees.

### **Rationalizing Penalty and Prosecution**

**113.** Multiplicity of proceedings are a hindrance to the ease of doing business. I propose to integrate assessment & penalty proceedings by way of a common order for both. There will be no interest liability on the taxpayer on the penalty amount for the period of appeal before the first appellate authority irrespective of the outcome of appeal process. Further, quantum of pre-payment is being reduced from 20 percent to 10 percent and will continue to be calculated only on core tax demand.

**114.** As an additional measure for reducing litigation, I propose to allow taxpayers to update their returns even after reassessment proceedings have been initiated, at an additional 10 percent tax rate over and above the rate applicable for the relevant year. The assessing officer will then use only this updated return in his proceedings.

**115.** There is already a framework for immunity from penalty and prosecution in the cases of underreporting. I propose to apply this framework of immunity to misreporting too. However, in such a case the taxpayer will need to pay 100 percent of the tax amount as an additional income tax over and above the tax and interest due.

**116.** Penalties for certain technical defaults such as failure to get accounts audited, non-furnishing of transfer pricing audit report and default in furnishing statement for financial transactions, are proposed to be converted into fee.

**117.** I propose to rationalise prosecution framework under the Income Tax Act while maintaining a careful balance for deterrence in some serious offences.

**118.** Non-production of books of account and documents, and requirement of TDS payment, where payment is made in kind, are being decriminalised. Further, minor offences will attract fine only.

**119.** The remaining prosecutions will be graded commensurate with the quantum of offence. They will entail only simple imprisonment, with maximum imprisonment reduced to two years, and power to courts to convert even those into fine.

**120.** There is no penalty presently for non-disclosure of non-immovable foreign assets with aggregate value less than 20 lakh rupees. I propose to also provide them with immunity from prosecution with retrospective effect from 1.10.2024.

#### **Cooperatives**

**121.** Deduction is already allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members. I propose to extend this deduction to also include supply of cattle feed and cotton seed produced by its members.

**122.** I propose to allow inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.

**123.** I further propose to allow exemption for a period of 3 years, to dividend income received by a notified national co-operative federation, on their investments made in companies up to 31.1.2026. This exemption would be allowed only for dividends further distributed to its member co-operatives.

#### **Supporting IT sector as India's growth engine**

**124.** India is a global leader in software development services, IT enabled services, knowledge process outsourcing services and contract R&D services relating to software development. These business segments are quite inter-connected with each other.

**125.** All these services are proposed to be clubbed under a single category of Information Technology Services with a common safe harbour margin of 15.5 percent applicable to all.

**126.** The threshold for availing safe harbour for IT services is being enhanced substantially from 300 crore rupees to 2,000 crore rupees.

**127.** Safe harbour for IT services shall be approved by an automated rule-driven process without any need for tax officer to examine and accept the application. Once applied by an IT Services company, the same safe harbour can be continued for a period of 5 years at a stretch at its choice.

**128.** For IT services companies who want to conclude Advance Pricing Agreement (APA), I propose to fast track Unilateral APA process for IT services and endeavour to conclude it within a period of 2 years. The period of 2 years can be extended by a further period of 6 months on taxpayer's request.

**129.** I propose to extend the facility of modified returns available to the entity entering APA to its associated entities also.

#### **Attracting global business and investment**

**130.** Recognising the need to enable critical infrastructure and boost investment in data centres, I propose to provide tax holiday till 2047 to any foreign company that provides cloud services to customers globally by using data centre services from India. It will, however, need to provide services to Indian customers through an Indian reseller entity.

**131.** I also propose to provide a safe harbour of 15 percent on cost in case the company providing data centre services from India is a related entity.

**132.** To harness the efficiency of just-in-time logistics for electronic manufacturing, I propose to provide safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value. The resultant tax of about 0.7 percent will be much lower than in competing jurisdictions.

**133.** To provide fillip to toll manufacturing in India, I propose to provide exemption from income tax for 5 years, to any non-resident who provides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

**134.** To encourage vast pool of global talent to work in India for a longer period of time, I propose to provide exemption to global (non-India sourced) income of a non-resident expert, for a stay period of 5 years under notified schemes.

**135.** I propose to provide exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

### **Tax administration**

**136.** I propose to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself. Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.

**137.** To support PM Modi's vision of home-grown accounting and advisory firms to become global leaders, I propose to rationalise the definition of accountant for the purposes of Safe Harbour Rules.

### **Other Tax proposals**

**138.** Change in taxation of buyback was brought in to address the improper use of buyback route by promoters. In the interest of minority shareholders, I propose to tax buyback for all types of shareholders as Capital Gains. However, to disincentivize misuse of tax arbitrage, promoters will pay an additional buyback tax. This will make effective tax 22 percent for corporate promoters. For non-corporate promoters the effective tax will be 30 percent.

**139.** TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2 percent and that on tendu leaves will be reduced from 5 percent to 2 percent.

**140.** I propose to raise the STT on Futures to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options are both proposed to be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent respectively.

**141.** We reformed the taxation landscape for corporates in 2019 by providing them a simplified regime with lower tax rate so that they could productively focus on business rather than on claim of deductions and exemptions.

**142.** To encourage companies to shift to the new regime, set-off of brought forward MAT credit is proposed to be allowed to companies only in the new regime. Set-off using available MAT credit is proposed to be allowed to an extent of 1/4<sup>th</sup> of the tax liability in the new regime.

**143.** MAT is proposed to be made final tax. So, there will be no further credit accumulation from 1<sup>st</sup> April 2026. In line with this change, the rate of final tax is being reduced to 14 percent from the current MAT rate of 15 percent. The brought forward MAT credit of taxpayers accumulated till 31<sup>st</sup> March 2026, will continue to be available to them for set-off as above.

### **Indirect Taxes**

**144.** I shall now take up proposals related to Indirect Taxes. My proposals for Customs and Central Excise aim to further simplify the tariff structure, support domestic manufacturing, promote export competitiveness, and correct inversion in duty.

#### **Review of exemptions and tariff simplification**

**145.** To continue weeding out long continuing customs duty exemptions, I propose to remove certain exemptions on items which are being manufactured in India or where the imports are negligible. Similarly, to further simplify the process of ascertaining the rate of duty applicable on a particular item, I propose to incorporate certain effective rates in various customs notifications to the tariff schedule itself.

**146.** I shall now take up sector specific proposals.

#### **Promotion of exports of marine, leather, and textile products**

**147.** I propose to increase the limit for duty-free imports of specified inputs used for processing seafood products for export, from the current 1 per cent to 3 per cent of the FOB value of the previous year's export turnover.

**148.** I also propose to allow duty-free imports of specified inputs, which is currently available for exports of leather or synthetic footwear, to exports of Shoe Uppers as well.

**149.** I propose to extend the time period for export of final product from the existing 6 months to 1 year, for exporters of leather or textile garments, leather or synthetic footwear and other leather products.

#### **Energy transition and security**

**150.** I propose to extend the basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries, to those used for manufacturing Lithium-Ion Cells for battery energy storage systems too.

**151.** I propose to exempt basic customs duty on import of sodium antimonate for use in manufacture of solar glass.

#### **Nuclear Power**

**152.** I propose to extend the existing basic customs duty exemption on imports of goods required for Nuclear Power Projects till the year 2035 and expand it for all nuclear plants irrespective of their capacity.

#### **Critical Minerals**

**153.** It is proposed to provide basic customs duty exemption to the import of capital goods required for processing of critical minerals in India.

#### **Biogas blended CNG**

**154.** I propose to exclude the entire value of biogas while calculating the Central Excise duty payable on biogas blended CNG.

#### **Civil and Defence Aviation**

**155.** I propose to exempt basic customs duty on components and parts required for the manufacture of civilian, training and other aircrafts.

**156.** It is proposed to exempt basic customs duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector.

### **Electronics**

**157.** To deepen value addition in the consumer electronics sector, I propose to exempt basic customs duty on specified parts used in the manufacture of microwave ovens.

### **Special Economic Zone**

**158.** To address the concerns arising about utilization of capacities by manufacturing units in the Special Economic Zones due to global trade disruptions, I propose, as a special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports. Necessary regulatory changes will be undertaken to operationalise these measures while ensuring level-playing field for the units working in the DTA.

### **Ease of Living**

**159.** To rationalize the customs duty structure for goods imported for personal use, I propose to reduce the tariff rate on all dutiable goods imported for personal use from 20 per cent to 10 per cent.

**160.** To provide relief to patients, particularly those suffering from cancer, I propose to exempt basic customs duty on 17 drugs or medicines.

**161.** I also propose to add 7 more rare diseases for the purposes of exempting import duties on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment.

### **Customs Process**

**162.** India's role and share in global trade is poised for a major leap, in line with our ambition and journey towards '*Viksit Bharat*'. In this regard, I propose many measures for custom processes to have minimal intervention for smoother and faster movement of goods and greater certainty to the trade.

**Trust-based systems**

**163.** I propose to enhance duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators, known as AEOs, from 15 days to 30 days.

**164.** I propose to provide eligible manufacturer-importers the same duty deferral facility. This should encourage them to get themselves accredited as a full-fledged Tier 3- AEO in due course.

**165.** To provide greater certainty and for better business planning, I propose to extend validity period of advance ruling, binding on Customs, from the present 3 years to 5 years.

**166.** In the spirit of whole-of-the-government approach, Government agencies will be encouraged to leverage AEO accreditation for preferential treatment in clearing their cargo.

**167.** Regular importers with trusted longstanding supply chains will be recognized in the risk system, so that the need for verification of their cargo every time can be minimized. Export cargo using electronic sealing will be provided through clearance from the factory premises to the ship.

**168.** For import of goods not needing any compliance, filing of bill of entry by a trusted importer, and arrival of goods will automatically notify Customs for completing their clearance formalities. This will enable goods to be released immediately on arrival.

**169.** The Customs warehousing framework will be transformed into a warehouse operator-centric system with self-declarations, electronic tracking and risk-based audit. These reforms will move away from the current system of officer-dependent approvals, and reduce transaction delays and compliance costs.

**Ease of Doing Business**

**170.** Approvals required for cargo clearance from various Government agencies will be seamlessly processed through a single and interconnected digital window by the end of the financial year. Processes involved in clearance of food, drugs, plant, animal & wild life products, accounting for around 70 percent of interdicted cargo, will be operationalised on this system by April 2026 itself.

**171.** For goods not having any compliance requirement, clearance will be done by Customs immediately after online registration is completed by the importer, subject to the payment of duty.

**172.** Customs Integrated System (CIS) will be rolled out in 2 years as a single, integrated and scalable platform for all the customs processes.

**173.** Utilization of non-intrusive scanning with advanced imaging and AI technology for risk assessment will be expanded in a phased manner with the objective to scan every container across all the major ports.

**New export opportunities**

**174.** To support Indian fishermen to fully harness the economic value of marine resources beyond our territorial waters, the following measures will be taken.

- a. Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas will be made free of duty.
- b. Landing of such fish on foreign port will be treated as export of goods.

Safeguards will be put in place to prevent misuse during fish catch, transit and transshipment.

**175.** To support aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce, I am pleased to announce complete removal of the current value cap of ₹10 lakh per consignment on courier exports. In addition, handling of rejected and returned consignments will be improved with effective use of technology for identifying such consignments.

#### **Ease of Living**

**176.** I propose to revise provisions governing baggage clearance during international travel to address genuine concerns of passengers. The revised rules will enhance duty-free allowances in line with the present-day travel realities and provide clarity in temporary carriage of goods brought in or taken out.

**177.** There are honest taxpayers who are willing to settle disputes by paying all their dues. But they get deterred due to negative connotation associated with penalty. They will now be able close cases by paying an additional amount in lieu of penalty.

Honourable Speaker Sir, with this, I commend the Budget to this august House.

Jai Hind!

## Annexure to Part A

### **Indicative Terms of Reference of the High-Level Education-to-Employment and Enterprise Standing Committee**

- i. identify services sub-sectors with potential for growth, employment and exports, identify sector-specific gaps and measures to unlock employment potential;
- ii. identify cross-sectoral policy and regulatory issues, including standards-setting and accreditation;
- iii. examine areas for services export;
- iv. assess the impact of emerging technologies, including AI, on jobs and skill requirements;
- v. propose specific measures for embedding AI in the education curriculum from school level onwards and upgrading State Councils of Educational Research and Training institutes for teacher training;
- vi. propose measures for upskilling and re-skilling of technology professionals/engineers in AI and emerging technologies; and
- vii. Propose measures for AI enabled matching of workers, jobs and training opportunities; and
- viii. propose measures to make the informal workflow visible, verifiable and future-ready, to enhance upward mobility prospects; and
- ix. propose steps to be taken to attract skilled diaspora and foreign talent into the country.

**Annexure to Part B**

**Amendments relating to Direct Taxes**

**1. EASE OF LIVING**

**(i) Exemption of interest on compensation amount awarded by Motor Accident Claims Tribunal (MACT)**

- In order to alleviate the sufferings of victims of motor vehicle accident and their family, it is proposed that any interest awarded on compensation amount in the case of individual awarded by MACT shall be exempt.
- It is also proposed that in case of an individual, no tax shall be deducted at source for such interest, irrespective of the amount of interest awarded by MACT.

**(ii) Removal of ambiguity on the application of rate of TDS on account of supply of manpower**

- It is proposed to include supply of manpower within the definition of “work” under section 402(47) of the Income-tax Act, 2025 so as to provide that tax on such supply of manpower shall be deducted at source as “payment to contractors” under the provisions of section 393(1) [Table: Sl. No. 6(i) and (ii)] and not under the provisions of “fee for professional services” under section 393(1) [Table: Sl. No. (iii)].

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

- It is proposed to ease the compliance burden of small taxpayers by providing an online option to the payee, to apply for issuance of certificate for lower or nil deduction of income-tax which is proposed to be issued online after electronic verification.

**(iv) Enabling filing of declaration for no deduction of tax at source under section 393(6) of the Income-tax Act, 2025 to the depository**

- It is proposed to allow filing of the declaration by a taxpayer for no deduction of tax at source, to a depository, where income is of

the nature: (i) income from units of a mutual fund (ii) interest income from securities and (iii) dividends. This will address the present requirements of an investor to file separate declaration to different payers. The depositories shall in turn report such declarations to the person responsible for payment of such income

- It is also proposed that the person responsible for paying such income shall furnish the declaration received by it from the taxpayer to the Department on quarterly basis rather than monthly basis as at present.

**(v) Extending time to file revised return or belated return.**

- Presently revised return can be filed upto 31<sup>st</sup> December following the tax year. Return filing period extends upto October 31<sup>st</sup> for persons engaged in international transactions under section 92E. In this regard, it is proposed to allow extending the time of filing revised return upto 31<sup>st</sup> March following the tax year. This revised return can be of original return or belated return. A nominal fee of Rs. 1000 or 5000 is also proposed where the revision of original or belated return is made after 31<sup>st</sup> December depending upon whether the income is upto or more than Rs. 5 lakh.

**(vi) Change in due date of filing Income-tax Return for non-auditible business and trusts**

- It is proposed to provide staggered time line for filing of tax returns due on the 31<sup>st</sup> of July. Individuals filing ITR 1 and ITR 2 shall continue to file tax returns by the 31<sup>st</sup> July and for non-audit business cases or trusts, 31<sup>st</sup> August shall be the due date.

**(vii) Reduction of compliance on sale of immovable property by non-resident to resident individual or HUF**

- It is proposed to provide that resident individual or HUF, shall not be required to obtain tax deduction and collection account number (TAN) to deduct tax at source in respect of any

consideration on transfer of any immovable property by non-resident under section 393(2) [Table Sl. No. 17]. Instead, the deduction shall be reported by quoting the PAN in same manner as transaction of similar nature between two residents.

**(viii) Rationalising the due date to deposit employee contribution by the employer to claim such contribution as deduction**

- It is proposed that deduction of any amount of contribution received by the assessee being an employer, from an employee, shall be allowed as deduction in the hands of the assessee if such amount is credited by the assessee to the account of the employee, in any provident fund or superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act, on or before the due date of filing of his return of income under section 263(1) of the Act.

**(ix) Rationalising the provision related to computation of profits and gains of an insurance business other than life insurance business**

- It is proposed that any amount which had earlier been added to the income of non-life insurance business, as tax was not deducted or paid as per the provisions of section 35(b)(i) or (ii) of the Act, shall be allowed as deduction in the tax year in which tax is deducted or paid as per the provisions of section 35(b)(i) or (ii) of the Act.

**(x) Introduction of Foreign Assets of Small Taxpayers – Disclosure Scheme (FAST – DS), 2026**

- It is proposed to introduce a time-bound scheme for declaration of foreign assets and foreign sourced income for taxpayers involving amounts below certain threshold.

## **2. RATIONALISING PENALTY AND PROSECUTION**

**(i) Reduction in multiplicity of proceedings**

- Presently, penalty proceedings are initiated after completion of the assessment proceedings. This takes a long time for finalising issues emerging out of any assessment. Multiplicity of proceedings increases number of pending appeals, cost of litigation and compliance. With a view to provide fast-track

settlement of disputes, it is proposed to integrate assessment & penalty proceedings by way of a common order after providing reasonable opportunity to the taxpayer to explain the issue.

- To provide relief to taxpayers on account of increase in quantum of demand which may arise as a result, it is proposed that the interest on penalty would be kept in abeyance during the pendency of appeal before first appellate authority.

**(ii) Immunity from penalty from underreporting in consequence of misreporting of income and prosecution in such cases**

- There are broadly two kind of penalties –
  - (i) underreporting of income due to mistakes or oversight where penalty is 50% on tax amount and framework to underreporting of income in consequence of misreporting of income
  - (ii) underreporting in consequence of misreporting of income on account of giving wrong or faulty information or misrepresenting the type of income where the penalty is 200% on tax amount.

There is already a framework for immunity from penalty and prosecution, under section 478 and 479 of the Act, if the penalty is initiated for underreporting of income. In this regard, it is proposed to extend the same on payment of 100% of tax amount as additional income-tax. However, the misreporting of income in respect of unexplained cash credit, etc. is proposed to be settled with a payment of 120% of the tax. In such cases immunity shall not be granted where prosecution is initiated as per provision of chapter-XXII of the Act.

**(iii) Conversion of penalty to fee**

- It is proposed to convert
  - (i) penalty for failure to get accounts audited,
  - (ii) penalty for non-furnishing of TP report and

(iii) penalty for default in furnishing statement for financial transactions or reportable accounts into fee to be charged per day of the default subject to a maximum ceiling.

**(iv) Rationalization of the prosecution framework**

- It is proposed that production of books of account and documents, and requirement of ensuring payment of TDS from the deductee where payment is made in kind, be completely decriminalised.
- It is further proposed that all prosecutions shall be rationalised to simple imprisonment instead of rigorous imprisonment.
- Maximum punishment for any offence (except for repeated offence) is proposed to be reduced to 2 years instead of 7 years.
- In cases where presently the maximum punishment is two years, the punishment has been reduced to 6 months with or without fine and with no minimum imprisonment.
- It is further proposed that prosecution for the offences under Income-tax Act, 2025 shall be based on the amount of tax evaded and the punishment shall be proportionate to the gravity of crime. In such cases, the requirement of maximum punishment of imprisonment has been done away with apart from relaxing the requirement of mandatory fine to optional.
- It is further proposed, for minor offence, only fine shall be provided as a punishment.

**(v) Rationalising the tax rate for special income charged under section 195 of the Act**

- Presently there is special tax rate on certain incomes like income in the nature of cash credits, unexplained investments, etc. The tax rate is 60% and penalty is 10% of tax. It is proposed to rationalise the tax rate to 30% on these incomes. Penalty on such amount would be merged with penalty for underreporting of income in consequence of misreporting of income that is 200% of tax amount.

**(vi) Relaxation of search assessment in case of person other than the searched person in certain situation**

- Provisions for assessment in search cases was introduced by Finance (No. 2) Act, 2024. In the new scheme, where incriminating material pertaining to other person, relates only to a single tax year, the other person is also required to undergo the full block assessment procedure, resulting in an increased compliance burden on such person against whom no search or requisition was initiated.
- It is proposed to limit the period of block in case of other person, where the undisclosed income of the other person pertains only to one tax year. The definition of block period is accordingly proposed to be amended in such cases.

**(vii) Time limit to complete search assessment**

- It is also proposed to amend section 296 of the Income-tax Act, 2025 so as to take the date of initiation of search as the reference point to decide the date of limitation for block assessment and consequently, the period of twelve months is proposed to be extended to eighteen months in the case of specified person.

**(viii) Extending the scope of filing of updated return**

- There is facility for updating tax returns where the taxpayer wants to show any additional income. This facility is available for a period of 4 years for an additional tax liability of 25%, 50%, 60%, 70% from the first to the fourth year after the relevant tax year when the return of income required to be filed for the first time. To provide additional measure for reducing litigation, it is proposed to allow the taxpayer to update the return even after reassessment proceedings have been initiated. The updation is proposed to be enabled at an additional 10% tax rate over and above the rate applicable for relevant year.

- It is further proposed to allow filing of updated return in cases where tax payer reduces the amount of loss filed in original return under section 263(1).
- It is further proposed that where the taxpayer files updated return and reports additional income then penalty shall not be leviable on such additional income.

**(ix) Immunity from prosecution under the Black Money Act**

- Under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, there is no penalty for non-disclosure of non-immovable assets with aggregate value less than twenty lakh rupees. It is proposed to extend this immunity for prosecution in such cases with retrospective effect from 1.10.2024.

**(x) Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets**

- To ensure compliance to the provisions of section 509 of the Income-tax Act, 2025 and create a deterrence for non-furnishing of statement or for furnishing inaccurate information in respect of crypto assets in such statement, it is proposed to introduce penalty provision. Penalty of Rs. 200 per day for non-furnishing of statement and Rs. 50,000 for furnishing inaccurate particulars and failure to correct such inaccuracy is proposed to be levied.

**3. COOPERATIVES**

**(i) Deduction of profit and gains to a primary co-operative where they supply cattle feed and cotton seed to a federal co-operative.**

- Deduction of profit and gains is presently allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to a federal cooperative society and others engaged in the same activities. It is proposed to extend this deduction to a primary co-operative engaged in supplying of cattle feed and cotton seed to, *inter alia*, a federal co-operative or government organizations.

**(ii) Deduction of inter-cooperative society dividend income under the new tax regime.**

- The dividend received by a cooperative society from another cooperative society is allowed as a deduction in the old tax regime. Non-allowance of this deduction in the new tax regime may result in double taxation as it may be taxed in the hands of the members on further distribution by the cooperative societies. Therefore, it is proposed to allow the inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to the members.

**(iii) Deduction of dividend income received by a notified national co-operative federation in the new tax regime.**

- It is proposed to allow exemption to dividend income received by a notified national federal cooperative from a company for a period of three years. This deduction is limited to the dividend received on investments made till 31.1.2026.
- Further, this exemption would be allowed only to the extent that the dividends are further distributed to the members of the cooperatives.

#### **4. ATTRACTING GLOBAL BUSINESS AND INVESTMENT**

**(i) Tax holiday up to 2047 to any foreign company who provides services by procuring data centre services in India**

- Recognising the need to enable critical infrastructure and boost investment in data centres, it is proposed to provide a tax holiday up to 2047 to any foreign company who provides services to any part of the world outside India by procuring data centre services in India. Sale of such services to Indian users shall be made through an Indian reseller entity and taxed appropriately.
- It is also proposed to provide a safe harbour of 15% to the resident entity providing data centre services to a related foreign company (who is providing cloud services to any part of the world outside India).

**(ii) Fillip to toll manufacturing engaged in manufacturing of electronic goods**

- To provide fillip to toll manufacturing in India, it is proposed to provide exemption to any foreign company who provides capital goods, equipment and tooling to any toll manufacturer in a bonded zone who is engaged in manufacturing of electronic goods. The exemption is proposed for a period of five tax years beginning on 1<sup>st</sup> April, 2026.

**(iii) Exemption to the global income (other than Indian sourced income) to an expert who visits India and stays for a longer period**

- To enable vast pool of global talent to come and work in India for a longer period of time, there is a need to provide tax certainty to them that only their Indian sourced income will be taxed in India despite their long period of stay.
- Accordingly, it is proposed to provide exemption to the global income (other than Indian sourced income) to an expert who visits India and stays for a period of five years. The expert visiting India should have been a non-resident in the previous five years when he visits India and should be providing services under notified Government scheme.

**(iv) Exemption from MAT to non-residents availing presumptive taxation scheme**

- Non-residents who avail presumptive scheme of taxation are exempt from applicability of Minimum Alternate Tax (MAT) provisions. It is proposed to extend such exemption from MAT to all non-residents who pay tax on a presumptive basis.

**(v) Incentivizing prospecting and exploration of critical minerals**

- In order to incentivise the prospecting and exploration of the critical minerals, it is proposed to include certain critical minerals in the list of minerals in Schedule XII of the Act, thereby making

expenditure on prospecting and exploring of such critical minerals eligible for deduction as per the provision of section 51 of the Act.

**(vi) Extension of period of deduction for units in IFSC and rationalization of tax rate**

- To increase the competitiveness of IFSC, it is proposed to increase the period of deduction under section 147 to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs. It is also proposed that the business income of these units from IFSC after the expiry of period of deduction will be taxed at rate of 15%.

**(vii) Rationalization of certain terms for treasury centres in IFSC**

- It is proposed to rationalize the provisions of deemed dividend applicable to treasury centre in IFSC by providing that provisions of deemed dividend shall not be applicable if
  - (i) the parent entity or the principal of the group shall be listed in a country or territory outside India; and
  - (ii) such parent or principal entity and other group entity to the transaction is located in a country or territory outside India as may be specified by the Central Government, by notification in the Official Gazette.

**5. RATIONALISATION OF CORPORATE TAX REGIME**

**(i) Reduction of rate of Minimum Alternate Tax (MAT) and allowance of set-off of brought forward MAT credit to companies shifting to the new tax regime**

- To enable companies to shift to the new regime, MAT is proposed to be made as a final tax and the corresponding rate is reduced from 15% to 14%. There shall be no allowance of credit in future tax years in respect of such payment.

- Further, the set-off of any brought forward MAT credit available from prior to tax year 2026-27 will only be allowed to domestic companies which shift henceforth to the new regime.
- This set-off of MAT credit brought forward as on 1/4/2026 is proposed to be allowed in the new tax regime to domestic companies to the extent of 25% of their tax liability.
- The brought forward MAT credit shall be available only up to fifteenth year from the year when the corresponding credit was first available.
- In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

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

### **(i) Rationalisation of share buyback**

- It is proposed to provide that consideration received by a shareholder on buy-back shall be chargeable to tax under the head “Capital Gains” instead of being treated as dividend income. It is also proposed to provide for a differential rate for promoters wherein the effective rate on gains in buyback will be 22% for promoters which are domestic companies and 30% for promoters other than domestic companies.

### **(ii) Rationalisation of tax collection at source (TCS) rates**

- It is proposed to reduce multiplicity of TCS rates. Also, certain TCS rates are rationalised to address the cash flow issues on this account.

<b>Sl. No.</b>	<b>Nature of receipt</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
1	Sale of alcoholic liquor for human consumption.	1%.	2%.
2	Sale of tendu leaves.	5%.	2%.
3	Sale of scrap.	1%.	2%.

<b>Sl. No.</b>	<b>Nature of receipt</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
4	Sale of minerals, being coal or lignite or iron ore.	1%.	2%.
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees—	(a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
6	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(a) 5% of amount or aggregate of amounts up to ten lakh rupees; (b) 20% of amount or aggregate of amounts exceeding ten lakh rupees.	2%

### **(iii) STT rate increase**

- To provide reasonable course correction in F&O segment in the capital market and generate additional revenues for the Government, it is proposed to raise the STT on Futures to 0.05% from present 0.02%.
- STT on options premium and exercise of options is proposed to be raised to 0.15% from the present rate of 0.1% and 0.125% respectively.

**(iv) Capital Gains Exemption for Sovereign Gold Bonds**

- It is proposed to provide that the exemption from capital gains tax in respect of Sovereign Gold Bonds shall be available only where such bonds are subscribed to by an individual at the time of original issue and are held continuously until redemption on maturity,
- It is also proposed to provide that this exemption applies uniformly to all issuances of Sovereign Gold Bonds by the Reserve Bank of India.

**(v) Rationalisation of Schedule XI relating to Recognised Provident Funds**

- It is proposed to amend Schedule XI to rationalise the provisions relating to recognised provident funds by deleting parity-based and percentage-based limits on employer contributions, removing salary-linked relaxations and shareholder-based distinctions, aligning eligibility for recognition with exemption under section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, and modifying investment-related provisions to remove rigid statutory caps inconsistent with prevailing EPFO norms.

**(vi) Removal of Interest Deduction against Dividend and Mutual Fund Income**

- It is proposed to provide that no deduction shall be allowed in respect of any interest expenditure incurred in relation to dividend income or income from units of mutual funds, and to omit the existing provision permitting such deduction subject to a specified ceiling.

**(vii) Enabling provision to provide clarity on situations where an amount which has been claimed as deduction or which has not been added in the total income will be deemed income**

- It is proposed that where any sum has been allowed as deduction or has not been included in the total income under the repealed Income-tax Act, 1961, such sum will be deemed to be income under Income-tax Act, 2025, even without violations of any conditions, if it was to be included in the total income under the provisions of Income-tax Act, 1961 had it not been repealed.

**(viii) Rationalising the provisions related to tonnage tax scheme**

- It is proposed to rationalise the tonnage tax scheme provisions to align it with the Inland Vessels Act, 2021 and rules made thereunder.

**(ix) Disability Pension for Armed Forces**

- It is proposed to provide a specific exemption for disability pension granted to members of the Armed Forces including paramilitary personnel, covering both the service element and the disability element, where the individual has been invalidated out of service on account of a bodily disability attributable to, or aggravated by, military, naval or air force service, and to exclude cases of retirement on superannuation or otherwise.

**(x) Exemption on income in respect of compulsory acquisition of any land under RFCTLARR Act**

- In order to specifically provide exemption for acquisition of land under the provisions of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and

Resettlement Act, 2013, it is proposed to provide exemption to an individual or a Hindu undivided family on any income in respect of any award or agreement made on account of compulsory acquisition of any land under the said Act (other than the award or agreement made under section 46 of said Act).

**(xi) Facility to the associated entity of the person entering into Advance Pricing Agreement (APA) to file modified return**

- In Advance Pricing Agreement (APA), there is already a facility for the entity entering APA to file modified returns according to the agreement. It is proposed to extend the same facility to the associated entity of the person entering into agreement where its income also changes on account of the agreement.

**(xii) Amendments in the nature of clarifications**

There are certain legal issues in which there are differing judgement of courts. These relate to time-limit for assessment after Dispute Resolution Panel proceedings, time-limit for Transfer Pricing Officer order, Document Identification Number and issuance of notice for re-assessment by the Jurisdictional Assessing Officer. In this regard, it is proposed to clarify these issues in the Income-tax Act, 1961 and Income-tax Act, 2025 to provide certainty to the provisions.

**(xiii) Other minor modification in the Income-tax Act, 2025**

- It is proposed to provide definition of “commodity derivative” in section 66 of the Act.
- It is proposed to provide definition of “authorised person” in section 402 of the Act.
- It is proposed to correct referencing error in Note 3 of section 393(1) [Table: Sl. No. 3(i)] from [Table: Sl. No. 3(iii)] to [Table: Sl. No. 3(i)].

- It is proposed to correct referencing error in section 99(2) from 99(1)(a)(i) to section 99(1)(a)(ii).
- It is proposed to amend section 400(2) of the Income-tax Act, 2025 to align it with the intent of the provisions of Income-tax Act, 1961 and to provide that the guidelines issued by the Board under this section shall apply to income-tax authorities as well as the person liable to deduct or collect, as the case may be, income-tax.
- It is proposed to amend sections 58, 162, 164, 165, 202 and 270 of the Income-tax Act, 2025 to remove duplicate reference to both the section 144 and Chapter VIII, as chapter VIII already includes section 144.
- It is proposed to amend schedule VI [Note 1(g)] to align the definition of the specified fund as provided in Schedule VI [Note 1(g)] of the Income-tax Act, 2025 with the provisions of section 10(4D) of the Income-tax Act, 1961.
- It is proposed to amend section 352(4) [Table: Sl. No. 8] to align the provisions relating to accrued income in the case of merger of registered NPOs with any other entity other than a registered non-profit organisation (NPO) or with any other registered NPO having the same or similar objects but the said merger does not fulfil such conditions as may be prescribed or with a registered NPO that does not have same or similar objects.
- It is proposed to insert a new section on the lines of section 12AC of the Income-tax Act, 1961 to allow the merger of the registered NPO with any other registered NPO having the same or similar objects if the said merger fulfils such conditions, as may be prescribed.
- It is proposed to amend section 351 of the Income-tax Act, 2025 to remove the reference of section 346 of the Income-tax Act,

2025 in said section to align the provision with the Income-tax Act, 1961

- It is proposed to amend section 332(1)(f) of the Income-tax Act, 2025 to remove the reference of Schedule VII [Table: Sl. No. 10 to 16] in said section so that such funds may not be required to register themselves as the registered NPO.
- It is proposed to amend section 349 to enable the filing of belated return by the registered NPO.
- It is proposed to change the annual value of property or part thereof to be treated as nil from “for two years” to “upto two years”.
- It is proposed to amend section 22(2) of the Income-tax Act, 2025 so as to provide that aggregate amount of deduction for interest on borrowed capital shall be inclusive of prior-period interest payable.
- It is proposed to amend section 262(10)(c) to enable Central Board of Direct Taxes (CBDT) to make rules for quoting of Permanent Account Number in such documents which does not relate to business or profession.

**Annexure to Part B**  
**Amendments relating to Indirect Taxes**

<b>A. LEGISLATIVE CHANGES IN CUSTOMS LAWS</b>	
<b>A.1 Amendments in the Customs Act, 1962</b>	
(i)	Sub-section (2) of section 1 of the Customs Act, 1962 is being amended to extend the jurisdiction of the said Act beyond the territorial waters of India, for the purpose of fishing and fishing related activities.
(ii)	In section 2, a new clause is being inserted to define the expression 'Indian-flagged fishing vessel'.
(iii)	Sub-section (6) of section 28 is being amended so as to provide that the penalty paid under sub-section (5) of section 28, on determination under sub-section (6) thereof, shall be deemed to be a charge for non-payment of duty.
(iv)	Sub-section (2) of section 28J is being amended so as to provide that advance ruling under sub-section (1) of that section shall remain valid for a period of five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
(v)	The proviso to the said sub-section is also being substituted so as to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity of the ruling for five years from the date of the ruling.
(vi)	A new section 56A is being inserted to provide special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. It also provides that fish harvested beyond the territorial waters of India may be brought into India free of duty and to treat fish that has landed at foreign port as export of goods in such manner as may be provided by

rules. It also provides to make regulations to provide for the form and manner of making an entry in respect of fish harvested by an Indian-flagged fishing vessel including its declaration, custody, examination, assessment of duty, clearance, transit or transhipment.

- (vii) In the Customs Act, for section 67, the following section shall be substituted, namely:-

*"67. The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed."*

The proposed section seeks to do away with the requirement of prior permission of the proper officer under the said section for removal of warehoused goods from one custom bonded warehouse to another.

- (viii) In section 84 of the Customs Act, in clause (b), for the words "*the examination*", the words "*the custody, examination*" shall be substituted. The amendment seeks to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under this section.

These changes shall come into effect from date of assent to the Finance Bill, 2026.

#### A.2 Amendments in the Customs Tariff Act, 1975

- (i) The First Schedule to the Customs Tariff Act, 1975 is being amended to, add 148 new tariff entries in chapter 03, 08, 12, 13, 20, 21, 22, 25, 26, 28, 29, 33, 39, 41, 47, 48, 73, 81, 84, 85, 86, substitute/delete 54 tariff entries and amend 2 tariff entries in chapter 29 and 1 tariff entry in chapter 85.
- (ii) Further the tariff rate on certain tariff items is being modified with effect from 02.02.2026 and the rates on certain other tariff items are also being modified as part of rate rationalisation with effect 01.04.2026.
- (iii) In respect of various goods, to operationalize effective basic customs duty rates from First Schedule instead of exemption notifications, new tariff lines have been created and the rate of duty for certain existing tariff

	<p>lines has been amended. This is a simplification exercise and there is no change in the applicable rate of duties on such goods.</p> <p>(iv) New tariff lines are also being introduced to help in better identification of the coated pipes for exports, getting actual transaction data of precursor chemicals and help in their effective monitoring, facilitating, tracking exports and deciding policy measures for Plant based extract products, and providing boost to eco-friendly industries</p> <p>(v) For details of the above, the Explanatory Memorandum to the Finance Bill, 2026, may be referred. These changes will come into effect from 01.05.2026, unless otherwise specified.</p>
<b>A.3 Amendment to Rules and Regulations under Customs Act, 1962</b>	<p>(i) In addition to the above, new Baggage Rules are being issued for international passengers.</p> <p>(ii) Deferred duty payment is being made monthly and a new class of eligible importers is being created by amending the existing Deferred Payment of Import Duty Rules, 2016.</p> <p>(iii) Cap on the value of goods exported through courier is being removed by amending Courier Regulations.</p> <p>(iv) Further, to ease e-commerce, the returns and rejects procedures in courier is being relaxed.</p> <p>(v) To decongest the courier terminals and to improve the overall efficiencies and ease of import and export, the Courier Regulations are being amended to allow for return to origin.</p>
<b>B. LEGISLATIVE CHANGES IN GST LAWS</b>	<p>[Save as otherwise provided, these changes will be brought into effect from a date to be notified in coordination with States, as per recommendations of the GST council]</p> <p><b>B.1 Amendments in provisions related to post-sale discounts under section 15 of the CGST Act, 2017</b></p> <p>Sub-section (3) of section 15 of the Central Goods and Services Tax Act, 2017 is being amended to do away with the</p>

requirement of linking the post-sale discount with an agreement and to refer to issuance of credit note under section 34 where the input tax credit is to be reversed by the recipient.

**B.2 Amendments in Section 34 of the CGST Act, 2017**

Section 34 of the Central Goods and Services Tax Act, 2017 is being amended so as to include the reference of section 15 in the said section.

**B.3 Amendments in Section 54 of the CGST Act, 2017 to provide for provisional refunds on account of inverted duty structure**

Sub-section (6) of Section 54 of the Central Goods and Services Tax Act, 2017 is being amended to extend the provisions of provisional refund to refunds arising out of inverted duty structure.

**B.4 Amendments in Section 54 of the CGST Act, 2017 to provide for refund of tax below Rs. 1000/-**

Sub-section (14) of Section 54 of the Central Goods and Services Tax Act, 2017 is being amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

**B.5 Amendments in Section 101A of the CGST Act, 2017**

Sub-section (1A) is being inserted in Section 101A of the Central Goods and Services Tax Act, 2017 to provide that the Central Government may, pending the constitution of the National Appellate Authority, by notification empower an existing Tribunal for hearing appeals under section 101B of the CGST Act, 2017; and to provide that the provisions of sub-sections (2) to (13) shall not be applicable where a Tribunal has been so empowered under sub-section (1A). This change shall come into effect from the 1<sup>st</sup> day of April, 2026.

**B.6 Amendments in Section 13 of the IGST Act, 2017 to provide for place of supply for intermediary services**

Clause (b) of sub-section (8) of section 13 of the Integrated Goods and Services Tax Act, 2017 is being omitted so as to provide that the place of supply for "intermediary services" will

be determined as per the default provision under section 13(2) of the IGST Act.

**C. CUSTOMS DUTY RATE CHANGES**

**C.1 To reduce input costs, boost domestic manufacturing and promote export competitiveness, customs duty on the following items are being reduced [with effect from 02.02.2026, unless otherwise specified]**

<b>S. No.</b>	<b>Commodity</b>	<b>Rate of Basic Customs Duty</b>	
		<b>From (per cent)</b>	<b>To (per cent)</b>
<b>I. Critical Minerals</b>			
1.	Monazite	2.5%	Nil
<b>II. Renewable Energy</b>			
2.	Sodium antimonate for use in manufacture of solar glass	7.5%	Nil
3.	Specified capital goods for use in manufacture of lithium-ion cells for batteries of Battery Energy Storage System	As applicable	Nil
<b>III. Nuclear Energy</b>			
4.	All goods for generation of nuclear power falling under tariff item 8401 30 00	7.5%	Nil
5.	Control and Protector Absorber Rods, Burnable Absorber Rods for generation of nuclear power falling under tariff item 8401 40 00	7.5%	Nil
6.	Goods required for the setting up of specified Nuclear Power Projects, irrespective of their capacity, where the projects have been registered with the Customs Houses concerned on or before 30 <sup>th</sup> September 2035	As applicable	Nil

<b>S. No.</b>	<b>Commodity</b>	<b>Rate of Basic Customs Duty</b>	
		<b>From (per cent)</b>	<b>To (per cent)</b>
	in compliance with the Project Import Regulations, 1986		
<b>IV.</b>	<b>Electronics</b>		
7.	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00	As applicable	Nil
<b>V.</b>	<b>Civil Aviation</b>		
8.	Components or parts including engines, of aircraft, for manufacture of aircraft and parts of the aircraft	As applicable	Nil
<b>VI.</b>	<b>Defence Sector</b>		
9.	Raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines, when imported by Public Sector Units under the Ministry of Defence	As applicable	Nil
<b>VII.</b>	<b>Drugs/ Medicines</b>		
10.	17 new drugs/medicines to be added in List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025	5%/10%	Nil
11.	7 rare diseases that are part of National Policy for Rare Disease (NPRD), 2021 to be added in List 22 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 for customs duty exemption on	As applicable	Nil

<b>S. No.</b>	<b>Commodity</b>	<b>Rate of Basic Customs Duty</b>	
		<b>From (per cent)</b>	<b>To (per cent)</b>
	drugs, medicines and food for special medical purposes, when imported for personal use		
<b>VIII.</b>	<b>Personal Imports (with effect from 01.04.2026)</b>		
12.	All dutiable goods, imported for personal use under Chapter heading 9804	10%/20%	10%

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

**C.2 Increase/Modification in Customs duty [with effect from 02.02.2026]**

<b>S. No.</b>	<b>Commodity</b>	<b>Rate of Basic Customs Duty</b>	
		<b>From (per cent)</b>	<b>To (per cent)</b>
<b>I. Chemicals</b>			
1.	Potassium hydroxide	Nil	7.5%
<b>II. Umbrella and its parts</b>			
2.	Umbrellas (other than garden umbrellas) covered under tariff items 6601 9100 and 6601 9900	20%	20% or Rs. 60 per piece, whichever is higher
3.	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher

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

### C.3 Review of exemptions

A review of the existing customs notifications providing concessional BCD rates to various goods was undertaken. Consequently, upon review, the following exemptions are being lapsed.

#### C.3.1 To lapse with effect from 02.02.2026

S. No.	S. No. of Table I in 45/2025- Customs	Description
1.	1	Animals and birds imported by Zoo
2.	113	Alpha pinene
3.	123	Artificial plasma
4.	128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure or for the production of complex fertilisers
5.	132	Potassium sulphate, containing not more than 52% by weight of potassium oxide*
6.	137	Other diagnostic or laboratory reagents falling under tariff heading 3822 90 90*
7.	213	INVAR
8.	258	Coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee
9.	285	Parts of radio trunking terminals
10.	287	CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers
11.	310	Loco simulators

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

*\*no change in the effective rate of duty on the goods*

**C.3.2 To lapse with effect from 01.04.2026**

S. No.	S. No. of notification No. 45/2025- Customs	Description
<b>In Table I of notification No. 45/2025-Customs</b>		
1.	93	Naphtha, for use in the manufacture of fertilisers
2.	95	LPG, consumed in the manufacture of polyisobutylene by DTA unit received from SEZ unit and returned by DTA to SEZ from where such LPG were received.
3.	107	Silicon for the manufacture of un-diffused silicon wafers, and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules**
4.	117	Maltol, for use in the manufacture of deferiprone
5.	145	Specified goods in manufacture of Copper-T contraceptives
6.	154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables
7.	172	Hydrophilic and hydrophobic non-woven fabrics, imported for use in the manufacture of adult diapers
8.	201	Spent catalyst or ash containing precious metals
9.	218	Metal parts for use in the manufacture of electrical insulators

<b>S. No.</b>	<b>S. No. of notification No. 45/2025- Customs</b>	<b>Description</b>
10.	219	Pipes and tubes for use in manufacture of boilers
11.	231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators
12.	236	Zeolite for use in the manufacture of wash coat for catalytic converters
13.	243	High speed cold-set or high speed heat set web offset printing machines along with mail room equipment
14.	271	Cash dispenser or automatic banknote dispenser and its parts and components
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from
17.	291	Parts and components of digital still image video cameras
18.	309	Raw materials or parts for use in manufacture of e-Readers
19.	370	X-Ray tubes used in manufacture of X-ray machines for medical, surgical or veterinary use

S. No.	S. No. of notification No. 45/2025- Customs	Description
20.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use
21.	397	Parts of video games for the manufacture of video games
<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>In notification No. 113/2003-Customs dated 22 July 2003</b>		
23.		Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA

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

*\*\* no change in the effective rate of duty on the goods*

#### D. Export Promotion Measures

##### **D.1 Increase in value limit of duty-free import of specified goods for use in processing of sea-food**

The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year.

##### **D.2 Increase in time period of export for exporters of specified goods manufactured from duty-free imported inputs**

The time period of export of textile/leather garments, leather/synthetic footwear or any other leather product by exporters is being extended from six months to twelve months.

##### **D.3 Extension of duty exemption on inputs for manufacture of specified goods for export**

The benefit of duty exemption on inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also.

**E. Central Excise Duty Changes**

**E.1 Exemption of 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 such 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.

**E.2 Amendment to Seventh Schedule to the Finance Act, 2001 to revise the National Calamity Contingent Duty (NCCD) Rate with effect from 01.05.2026 with no change in the effective duty rate\*\*\***

S.No.	Description	NCCD Rate	
		From (per cent)	To (per cent)
1.	Chewing tobacco	25%	60%
2.	Jarda scented tobacco	25%	60%
3.	Other	25%	60%

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

*\*\*\*effective duty rate will be maintained at 25% by notification*

**F. Others**

There are a few other changes. For details of the budget proposals, the Explanatory Memorandum and other relevant budget documents may be referred to.