Union Budget
2026 -27
BRIEF HIGHLIGHTS

FOREWORD

Action over ambivalence, reform over rhetoric and people over populism. It is this clear philosophy that defines the Budget for FY 2026-27, presented by the Hon'ble Finance Minister, Ms. Nirmala Sitharaman, on 1st February 2026. This Budget focuses on policies that propels a nation transitioning from stabilization to a high-growth trajectory, consistently delivering a growth rate of over 7%.

The Vision of India as a global leader is no longer a distant aspiration but a performance-driven reality. This Budget is uniquely fuelled by **Yuva Shakti**, inspired by innovative ideas from the Viksit Bharat Young Leaders Dialogue 2026, and is built upon three core **"Kartavyas"** (Duties). The first is to accelerate and sustain economic growth; the second is to fulfill the aspirations of our people; and the third, aligned with *Sabka Sath, Sabka Vikas*, ensures that the dividends of growth reach every community and region.

The "Reform Express" is in full motion, with over 350 reforms rolled out in the last 12 months. The direction of reducing revenue expenditure and prioritising capital expenditure for long term multiplier effect has been well appreciated.

The momentum to boost infrastructure is reflected in the scaling up of manufacturing across seven strategic sectors, including a ₹10,000 crore outlay for **Biopharma** *shakti* and a ₹40,000 crore commitment to **Electronic Components**. The government's focus on **Atmanirbharta** remains a lodestar, building domestic capacity in semiconductors through ISM 2.0 and reducing critical import dependencies including for Critical Minerals which has rightfully gained prominence and prioritisation.

For the corporate sector and MSMEs, the budget offers a robust ecosystem for growth to unlock value. The creation of a **₹10,000 crore SME Growth Fund** aims to nurture "future champions," while the introduction of **'Corporate Mitras'** will help small enterprises meet compliance requirements affordably. Infrastructure remains a high priority, with public capex increased to **₹12.2 lakh crore offering the proven multiplier effect on GDP** and the development of **seven High-Speed Rail corridors** acting as growth connectors between major cities.

Under the newly introduced **Income Tax Act, 2025 with effect from 1st April 2026**, efforts have been taken to ease compliances. Key direct tax proposals include easing of procedures, decriminalisation of venial breaches and rationalisation of policy for the convenience of the tax payer.

Extension of time limit to file a revised return by 3 months to 31st March, reduction in **TCS rates** on LRS for overseas tours and education, retrospective amendments to assessment procedures in erstwhile Income Tax Act 1961, penalty proceedings have been clubbed with assessment order to reduce separate penalty proceedings. To further, ease pressure of prosecution under Benami Law a one-time 6-month **Foreign Asset Disclosure Scheme** has been introduced.

In the corporate arena, the **Minimum Alternate Tax (MAT)** has been reduced from 15% **to 14%**. Furthermore, the government has addressed the concerns of minority shareholders by taxing **share buybacks as Capital Gains**, while simultaneously disincentivizing tax arbitrage for promoters through an additional buyback tax.

On the indirect tax front, the government continues to promote export competitiveness and domestic manufacturing. Basic customs duty (BCD) has been exempted for **17 cancer drugs** and components for civilian aircraft manufacturing. To support small businesses, the **₹10 lakh value cap on courier exports** has been removed, opening new global market doors for Indian artisans and start-ups.

Despite global disruptions, the government has remained steadfast on the path of **fiscal consolidation**. By targeting a fiscal deficit of **4.3% of GDP** for FY 2026-27 and aiming for a debt-to-GDP ratio of **50±1% by 2030-31**, the budget balances the need for massive public investment with long-term fiscal stability.

This Budget 2026-27 is a testament to clarity and conviction with focus on key sectors and priorities to address the risk of a world driven by Tariffs, Trials and Tribulations. This budget aptly focuses on productivity, technology as a force multiplier, and the creation of a "Viksit Bharat" where growth is inclusive and capacity is built at every level to protect our nation and all its citizens against the volatile and irrational geo political forces.

We hope you find these summary highlights by our team informative as we continue to navigate this exciting new era of Indian economic history. A detailed comprehensive analysis of the Union Budget 2026-27 will follow shortly.

- Warm Regards

Team DPNC Global

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ECONOMIC SURVEY HIGHLIGHTS

- GDP growth ~ 7.4% (FY26)
- Inflation ~ 1.7% (FY26 Apr-Dec) Vs 6.7% in FY23
- Reduced Fiscal Deficit to 4.8% of GDP in FY25
- Capex at 22.6% of Total Expenditure in FY25
- Policy Repo Rate ~ 5.25% (FY26 upto Dec)
- Gross NPA ~ 2.2%
- Total Exports ~ USD 825.3 Bn (FY25)
- Forex Reserves crossed USD 701 Bn in Jan’26

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TAX RATES:

No Change

- Tax Slab for Individual/HUF (Amt in Rs.) : -

Existing Income Slab under new tax regime	Slab Tax Rate
Upto 4 Lakh	NIL
4 Lakh - 8 Lakh	5%
8 Lakh – 12 Lakh	10%
12 Lakh – 16 Lakh	15%
16 Lakh – 20 Lakh	20%
20 Lakh- 24 Lakh	25%
Above 24 Lakh	30%

Income Slab under Old Regime	Slab Tax Rate
Upto 2.5 Lakh	NIL
2.5 Lakh - 5 Lakh	5%
5 Lakh - 10 Lakh	20%
Above 10 Lakh	30%

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Surcharge for Individual/HUF

No Change

Surcharge Slab	Surcharge Rate (New Tax Regime)	Surcharge Rate (Old Tax Regime)
Income exceeding Rs 50 Lakh < Rs 1 Crore	10%	10%
Income exceeding Rs 1 Crore < Rs 2 Crore	15%	15%
Income exceeding Rs 2 Crore < Rs 5 Crore	25%	25%
Income exceeding Rs 5 Crore	25%	37%

- Rebate u/s 156 (erstwhile 87A) under Old Tax Regime is Rs. 12,500/-.
- Rebate u/s 156 (erstwhile 87A) under New Tax Regime of Rs. 60,000/-.
- Surcharge on Capital Gains taxable u/s 196, 197 and 198 (erstwhile sections 111A ,112 & 112A resp.) and on dividend income is capped at 15%.
- Cess: Health & Education cess in all cases remains unchanged at 4%.

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- **Corporate Tax:**

  Basic tax rates for companies are as under :-

Change in MAT Rate

Particulars	Tax rates
For domestic companies whose total turnover or gross receipts in the tax year 2024-25 does not exceed Rs 400 Crores	25%
For companies opting for Section 199 (erstwhile115BA)	25%
For companies opting for Section 200 (erstwhile 115BAA)	22%
For companies opting for Section 201 (erstwhile 115BAB)	15%
For other domestic Companies	30%
Foreign Companies	35%

- MAT is proposed at 14% instead of 15% .
- MAT is applicable for companies except those opting for new tax regime.

Surcharge for Companies

No Change

Particulars	Domestic Company	Foreign Company
Income exceeding Rs 1 crore < Rs 10 Crore	7%	2%
Income exceeding Rs 10 crore	12%	5%

- For companies opting for new tax regime, surcharge of 10% would be levied irrespective of the income.
- Cess - Health & Education Cess in all cases remains unchanged at 4%.

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No Change

- **Firms and LLP Tax Rate**

  Basic tax rate remains at 30% and surcharge rate is 12% where income exceeds Rs 1 Crore.
  Health & Education Cess in all cases remains unchanged at 4%.

- **Co-operative Society Tax Rate**

Particulars	Tax Rate
Income upto Rs 10,000	10%
Income exceeding Rs 10,000 < Rs 20,000	20%
Income exceeding Rs 20,000	30%

- Surcharge: 7% if total income exceeds Rs 1 Crore and 12% if total income exceeds Rs 10 Crores.
- Health & Education Cess in all cases remains unchanged at 4%.

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- **AOP/BOI/Artificial Judicial Person (Old Tax Regime)** **No Change**

Particulars	Tax Rate
Income upto Rs 2.5 Lakh	Nil
Income exceeding Rs 2.5 Lakh >Rs 5 Lakh	5%
Income exceeding Rs 5 Lakh > Rs 10 Lakh	20%
Income exceeding Rs 10 Lakh	30%

Surcharge for AOP/BOI/Artificial Judicial Person (Old Tax Regime)

Particulars	Tax Rate
Income exceeding Rs 50 Lakh > Rs 1 Crore	10%
Income exceeding Rs 1 Crore > Rs 2 Crore	15%
Income exceeding Rs 2 Crore > Rs 5 Crore	25%
Income exceeding Rs 5 Crore	37%

- Surcharge on Capital Gains taxable u/s 196, 197 and 198 and on dividend income is capped at 15%.
- Maximum Surcharge on AOP with all members as a company is 15%.
- Cess: Health & Education cess in all cases remains unchanged at 4%.

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No Change

- AOP/BOI / Artificial Judicial Person (Amount in Rs.)

Income Slab under new tax regime	Tax Rate
Upto 4 Lakh	NIL
4 Lakh - 8 Lakh	5%
8 Lakh – 12 Lakh	10%
12 Lakh – 16 Lakh	15%
16 Lakh – 20 Lakh	20%
20 Lakh- 24 Lakh	25%
Above 24 Lakh	30%

Surcharge for AOP/BOI/AJP– New Tax Regime	Tax Rate
Income exceeding Rs 50 Lakh < Rs 1 Crore	10%
Income exceeding Rs 1 Crore < Rs 2 Crore	15%
Income exceeding Rs 2 Crore	25%

- Surcharge on Capital Gains taxable u/s 196, 197 and 198 and on dividend income is capped at 15%.
- Maximum Surcharge on AOP with all members as a company is 15%.
- Cess Health & Education cess in all cases remains unchanged at 4%.

KEY DIRECT TAX ANNOUNCEMENTS
UNION BUDGET
2026-27

➢ **Changes proposed in TCS rates (to be effective from 1st April, 2026) :**

S. No.	Nature of Receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of Scrap Material	1%	2%
4	Sale of minerals, being coal or lignite or iron ore	1%	2%
5	Remittance under the LRS of an amount or aggregate of the amounts exceeding 10 lakh rupees	1. 5% in case remittance is for purpose of education or medical treatment; 2. 20% for purpose other than education or medical treatment.	1. 2% in case remittance is for purpose of education or medical treatment; 2. 20% for purpose other than education or medical treatment.

S. No.	Nature of Receipt	Current Rate	Proposed Rate
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	1. 5% in case amount or aggregate of amounts is upto Rs. 10 lakh; 2. 20% in case amount or aggregate of amounts exceed Rs. 10 lakh.	2%

1. **Increase in Securities Transaction Tax (STT) Rates on Futures and Options**
    - On options is proposed to increase to 0.15%, both on premium and intrinsic value upon exercise,
    - On futures is proposed to increase from 0.02% to 0.05% of the traded price.
2. **Taxation of Buy-back of Shares**
    - Under the existing provisions, consideration received on buy-back of shares is taxed as dividend income, while the cost of acquisition of shares extinguished is allowed as a capital loss.
    - The proposed amendment shifts the taxation of buy-back consideration to the head “Capital gains”, replacing the dividend-based regime.
    - To prevent the misuse of buybacks for tax planning, an additional "buyback tax" is imposed on “Promoters” (meaning of Promoters is defined). For long term capital gains, this results in an effective tax rate of 22% for domestic corporate promoters and 30% promoters other than a domestic company
    - Applicable from tax year 2026-27 onwards.

3. Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS 2026)

- FAST-DS 2026 is a proposed time-bound scheme to allow small taxpayers to voluntarily disclose legacy or inadvertent foreign assets/income. Declarations can be made on payment of prescribed tax or fee, with limited immunity from penalty and prosecution under the Black Money Act. Cases involving prosecution or proceeds of crime are excluded. The scheme will be introduced through the Finance Bill, 2026.

4. Due date for filing of tax return

- The due date, for furnishing of tax return by assessee having income from PGBP and a partner of a firm whose accounts are not required to be audited under any Act, has been proposed to be extended from July 31 to August 31.

5. Due date for filing of revised tax return

- Time limit for furnishing the revised tax return has been proposed to be extended from existing 9 months to 12 months with an additional fee, upto Rs. 5,000, to be payable in case of filing of revised return beyond 9 months.

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6. Allowing filing of updated return in case of reduction of losses

- Earlier, updated returns could not be filed in case of reduction of losses. Now, to provide greater flexibility, it has been proposed that assessee can file an updated return to reduce the loss reported in the original, belated, or revised return.

7. Allowing filing of updated return post initiation of reassessment

- It has been proposed that the updated return can be filed even after initiation of re-assessment proceedings, subject to payment of an additional 10% tax, over and above the existing additional tax (penalty) applicable for filing an updated return.

8. Rationalizing due date for deduction of employee contributions

- It is proposed to redefine the due date for employers to deposit employee welfare contributions as the due date of filing the income-tax return, instead of dates under respective welfare laws.

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9. Assessments not invalid due to DIN-related defects

- It is proposed to clarify in section 292B that assessments will not be invalid merely due non- quoting the computer-generated DIN, as long as the order is referenced by a DIN in any manner. This clarification is retrospective from 1 October 2019 under the 1961 Act.

10. Clarification regarding jurisdiction to issue notice u/s 148 and conduct proceedings u/s 148A

- It is clarified that only the jurisdictional Assessing Officer can conduct pre-assessment enquiries and issue notices under sections 148A and 148, and not NaFAC. Faceless assessment applies only after notice under section 148. This clarification is retrospective from 1 April 2021.

11. Rationalizing the period of block in case of other persons

- It is proposed to amend section 295 to limit the block assessment period for “other persons” where undisclosed income relates only to a specific tax year, instead of applying the full block period. This reduces unnecessary compliance burden on third parties who were not searched.

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12. Referencing the time limit for block assessment to initiation of search or requisition

- It is proposed to compute the time limit for completing block assessments with reference to the date of initiation of search or requisition, instead of the last authorization, to ensure uniform timelines in group cases.

13. Clarifying time-limit for completion of assessment under section 144C

- It is proposed to clarify that time limits under sections 153 and 153B apply only up to the draft assessment stage, while finalisation of assessments shall strictly follow the timelines prescribed under section 144C, notwithstanding sections 153/153B. The clarification is retrospective (from 1.4.2009/1.10.2009 under the 1961 Act.

14. Rationalisation of tax rate on unexplained credit etc and relevant penalty

- It is proposed to reduce the tax rate on unexplained income from 60% to 30%. Further, the separate 10% penalty is proposed to be omitted and such cases will be covered under the misreporting penalty framework.

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15. Rationalisation of Schedule XI relating to Provident Funds

- Income-tax provisions on recognised provident funds are proposed to be aligned with the EPF framework by removing outdated and overlapping conditions, in light of the ₹7.5 lakh cap on employer contributions.

16. 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 provide an option to payee to file application for issuance of lower or NIL deduction of tax electronically before the prescribed income tax authority.

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

- Non-life insurance businesses will be allowed to claim deductions for expenses earlier disallowed due to non-deduction of TDS, once the tax is subsequently deducted and paid. The deduction will be allowed in the year of such payment.

18. TAN Requirement Removed for Property Purchases from Non-Resident Sellers:

- Earlier, resident individuals and HUFs were exempt from obtaining TAN for depositing TDS on property purchased from resident sellers. This benefit has now been proposed to be extended to transactions involving non-resident sellers as well, simplifying tax compliance for buyers.

19. Rationalization of prosecution proceedings

- The New Act proposes decriminalisation and rationalisation of tax offences by replacing rigorous imprisonment with simple imprisonment, reducing maximum jail terms, introducing monetary thresholds, limiting minor offences to fines, and fully decriminalising certain offences.

20. Rationalisation of tax penalties into mandatory fees

- Certain penalties for technical defaults are proposed to be replaced with mandatory, graded fees to reduce litigation. A maximum cap of Rs 1,00,000 is introduced for delays in furnishing statements after notice.

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21. Imposition of penalty for under-reporting or misreporting of income within Assessment Order

- Penalties for under-reporting or misreporting of income will be levied within the assessment order itself, eliminating separate penalty proceedings and reducing litigation. Interest under section 220(2) will apply only after appeal disposal.
- The changes apply from 1 April 2027.

22. Increase in maximum - for failure to furnish information

- To ensure effective deterrence and compliance, it is proposed to increase the maximum penalty for non-compliance with information-collection powers from Rs 1,000 to Rs 25,000.

23. Expanding the scope of immunity from penalty or prosecution

- As per current provisions immunity from penalty and prosecution is only in cases of under-reporting of income, subject to payment of tax and interest and non-filing of appeal. The amendment extends this immunity to cases of misreporting of income as well.

24. Immunity from penalty in case of mis-reporting of Income:

- Earlier, immunity from penalty was available only in cases of under-reporting of income. It is now proposed to extend this relief to cases of under reporting of income in consequence of misreporting as well, subject to the taxpayer paying additional tax equal to 100% of the tax payable (in lieu of penalty) before filing the immunity application.

25. Relaxation of conditions for prosecution under the Black Money Act

- Prosecution under sections 49 and 50 of the Black Money Act will not apply to minor or inadvertent non-disclosure of foreign assets (other than immovable property) where the total value does not exceed ₹20 lakh.

26. Amendment in MAT Provisions

- The tax rate under MAT has been proposed to be reduced from 15% to 14% of book profits. Further, from tax year 2026-27, tax paid under MAT has been proposed to be treated as final tax, with no allowance of MAT credit.

- Budget 2026 extends MAT exemption to additional non-resident businesses opting for presumptive taxation under section 61 of the Income-tax Act, 2025. The relief now covers non-residents engaged in operation of cruise ships and in providing services or technology for setting up electronics manufacturing facilities in India.
- Applicable from tax year 2026-27 onwards.

27. Tax Exemption on Interest on Compensation awards by Motor Accident Claims Tribunal (MACT) for Individuals and their legal heirs

- Budget 2026 proposes to exempt interest received on compensation awarded by the Motor Accident Claims Tribunal. The exemption applies to individuals as well as their legal heirs. Such interest income must be received under the Motor Vehicles Act, 1988.
- Additionally, no TDS to be deducted on such interest on such compensation award.

28. Tax Exemption on Compulsory Land Acquisition Compensation for Individuals and HUF’s

- Income arising from compulsory acquisition of land is proposed to be exempt from tax for Individuals and HUFs. The exemption applies where the award or agreement is made under Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act, 2013).
- However, acquisitions covered under section 46 of the said Act are specifically excluded. Acquisitions under Section 46 of RFCTLARR Act 2013 i.e. acquisitions from private companies or for Public Private Partnerships (PPP) are commercial/private in nature, not purely compulsory sovereign acquisitions. Hence, tax exemption is restricted to genuine compulsory acquisitions, and Section 46 cases are expressly carved out to prevent misuse.

29. Tax Exemption on Income arising from Data Centres & AI Infrastructure in India of Foreign Companies

- The proposal introduces a tax exemption for foreign companies earning income in India by way of procuring data centre services from specified data centres. Such income will be excluded from taxable income until the tax year ending 31 March 2047. The measure aims to attract data centre investment and strengthen India's AI infrastructure. A key condition requires that services provided to Indian users by the foreign company must be routed through an Indian reseller entity. The amendment also defines "data centre," "data centre services," and "specified data centre." The changes will apply from tax year 2026–27 onwards.

30. Tax Exemption on Income of Foreign Companies Supplying Capital Equipment to Electronics Manufacturers

- The proposal grants a tax exemption to foreign companies on income earned from supplying capital goods, equipment, or tooling to Indian contract manufacturers of electronic goods operating in customs bonded warehouses.

- The exemption will apply to eligible income until tax year 2030–31. The benefit is available where the Indian manufacturer produces goods on behalf of the foreign company for consideration. The amendment takes effect from 1 April 2026 onward.

31. Tax Incentive for Prospecting of Critical Minerals

- Budget 2026 proposes to expand Schedule XII of the Income-tax Act, 2025 to include critical minerals. Consequently, expenditure incurred on prospecting and exploration of such critical minerals will become eligible for deduction under section 51.
- The deduction continues to be allowed on a deferred basis over 10 years from the year of commercial production.
- Applicable from tax year 2026-27 onwards.

32. Definition of "Authorised Person" for Non Residents was erroneously omitted in Income Tax Act 2025. Now, corrected.

- While this concept existed and was clearly defined under the Income-tax Act, 1961, it was inadvertently omitted from the definition section of the new Act.

- The amendment introduces an explicit definition of “authorised person” under the Income-tax Act, 2025. Under section 402(27), an authorised person is the person responsible for making payments in cases involving payments to non-residents for the transfer of foreign exchange assets.

33. Clarifying Repeal and Savings Clause for Deductions Taxable in Later Years

- The proposed amendment to section 536(2)(h) addresses a transitional gap arising from the repeal of the Income-tax Act, 1961. Earlier, income was brought to tax under the new Act only where there was a breach of conditions attached to a deduction or exemption granted under the old Act.
- The amendment expands the scope to also cover cases where a deduction or exclusion was allowed under the 1961 Act, but the amount was otherwise taxable in a later year under that Act, even without any violation of conditions. This ensures that such income does not escape taxation merely due to the change in law.
- Accordingly, such amounts will be treated as deemed income under the Income-tax Act, 2025 in the year in which they would have been taxable.

34. Non-allowability of Interest Deduction Against Dividend Income

- Currently, section 93 of the Income-tax Act, 2025 allows deduction of interest expenditure against dividend income or income from mutual fund units, subject to a ceiling of 20% of such income.
- The proposed amendment seeks to completely disallow interest expenditure incurred for earning dividend income or income from mutual fund units. This removes the existing partial deduction benefit for passive investment income.
- Applicable from tax year 2026-27 onwards.

35. Exemption for Sovereign Gold Bonds

- Section 70(1)(x) currently provides exemption from capital gains tax on redemption of Sovereign Gold Bonds (SGBs) issued by the Reserve Bank of India. These bonds are issued through multiple series over time.

- The amendment clarifies that the exemption will be available only where the bonds are subscribed at the time of original issue and held continuously until redemption on maturity. This ensures uniform application of the exemption and aligns it with legislative intent.
- Applicable from tax year 2026-27 onwards.

36. No TDS on Interest Paid to Co-operative Banks

- Section 393(4) specifies circumstances where tax deduction at source is not required. The proposed amendment exempts interest income (other than interest on securities) paid or credited to co-operative societies engaged in the business of banking, including co-operative land mortgage banks, from TDS.
- This change aligns the Income-tax Act, 2025 with the Income-tax Act, 1961 and removes the TDS compliance burden on such payments.
- The amendment will be effective from 1 April 2026.

37. Associated Enterprises also allowed to file a Modified Return pursuant to Advance Pricing Agreement (APA)

- Currently, only the APA signatory can file a modified return, even where income of the Associated Enterprise (AE) is correspondingly impacted. The amendment allows the AE, whose income is modified pursuant to an APA, to file a modified return, in accordance with and limited to the APA.
- This enables the AE to claim refund of excess tax paid or tax withheld. Such return must be filed within 3 months from the end of the month in which the APA is entered into.
- The provision applies to APAs entered on or after 1 April 2026. Effective from tax year 2026-27 onwards.

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38. IFSC Related Changes

- **Extension of Deduction Period for IFSC Units and Rationalisation of Tax Rate**
  - Section 147 presently allows a 100% deduction of specified incomes earned by units in
    - International Financial Services Centres (IFSCs) - For 10 consecutive years out of 15 years. Now, it will be 20 consecutive years out of 25 years.
    - Offshore Banking Units (OBUs) - For 10 consecutive years. Now, it will be 20 consecutive years.
  - Further, the business income of IFSC units earned after the expiry of the deduction period shall be taxed at a concessional rate of 15%.
  - Applicable from tax year 2026-27 onwards.
- **Rationalisation of Provisions Applicable to Treasury Centres in IFSC**
  - Section 2(40) defines the term “dividend”, and sub-clause (v) thereof excludes certain inter-group advances or loans from its ambit, subject to prescribed conditions.

- To rationalise this provision, it is proposed to amend the sub-clause to require that the other group entity to the transaction is also located in a notified jurisdiction outside India. Further, the parent or principal entity of the group must be listed on a stock exchange outside India, with such foreign jurisdiction to be specified by the Central Government by notification in the Official Gazette.

➢ **Insertion of Definitions**

- For the purposes of the above provisions, it is proposed to define “group entity” in line with clause (m) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Payment Services) Regulations, 2024.
- The term “parent entity” or “principal entity” shall mean an entity whose subsidiaries are group entities and which either controls more than fifty percent of the voting power, directly or indirectly, or controls the composition of the Board of Directors.
- Applicable from tax year 2026-27 onwards

KEY INDIRECT TAX AMENDMENTS UNION BUDGET 2026-2027

CENTRAL GOODS & SERVICES ACT AMENDMENT
(Effective From The Date To Be Notified)

1. **Valuation Related Changes**

   - ➢ Section 15(3) is being amended to do away with the requirement of linking the post-sale discount with an underlying agreement to claim reduction in value of supply.
   - ➢ As per the amended provision, value of supply can be reduced for discounts whether or not the same are linked with the agreement. In this regard, credit note can be issued claiming reduction in value of supply. Necessary amendment has been made in section 34 as well.

2. **Refund Related Changes**

   - ➢ Section 54(6) is being amended to extend the grant of provisional refund to the extent of 90% even in cases of inverted duty structure ITC refund claims.
   - ➢ Section 54(14) is being amended to allow refund claims of even below ₹1K in case of exports with payment of tax.

CENTRAL GOODS & SERVICES ACT AMENDMENT
(Effective From 01.04.2026)

3. Administration Related Changes

- As per the current provisions, Appeal against the conflicting orders of AAAR in case of the same PAN holder can be filed before the National Appellate Authority.
- However, since National Appellate Authority is not established, the powers are conferred with tribunal.
- The powers to be exercised by the tribunal will be as per section 112 which provides for processes regulated by tribunal.

INTEGRATED GOODS & SERVICES ACT AMENDMENT
(Effective From The Date To Be Notified)

1. Intermediary Related Changes

- ➢ Section 13 has been amended to state that for intermediary related services, Place of Supply shall be the default rule which provides that the location of recipient of services will the place of supply.
- ➢ This is inline with the recommendation of GST Council in 56th meeting.
- ➢ This will allow export benefit to intermediary services providers based in India.

Customs Act, 1962 & Customs Tariff Act, 1975

1. Customs Act Related Changes

- 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.
- In section 2, a new clause is being inserted to define the expression 'Indian-flagged fishing vessel.
- 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.
- 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.

- 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.
- Section 67 is being amended 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.
- Section 84 is being amended to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under this section (Import/export by post/courier).

Changes In Custom Rules/ Processes

- Baggage Rules, 2016 is being superseded by the Baggage Rules, 2026 to rationalize the baggage provisions and addressing passenger related concerns at airports and resolution of interpretational issues. Further, honest taxpayers, willing to settle disputes will be able close cases by paying an additional amount in lieu of penalty.
- Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' is being created. This is being done by amending the existing Deferred Payment of Import Duty Rules, 2016.
- 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 is proposed. The quantity of such sales will be limited to a prescribed proportion of their exports.

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Changes in Custom Rules/Processes

- The Custom processes to have minimal intervention for smoother and faster movement of goods.
- Further, Duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators, known as AEOs, is to be enhanced from 15 days to 30 days. Same is extended to the eligible manufacturer-importers.
- Complete removal of the current value cap of ₹10 lakh per consignment on courier exports supports aspirations of India’s small businesses, artisans and start-ups to access global markets through e-commerce

KEY REGULATORY ANNOUNCEMENTS
UNION BUDGET
2026-2027

1. **MSME Growth & Financing:**
   - **Financing: ₹10,000 crore SME Growth Fund** to support SMEs with equity, helping them scale up and become future industry champions.
   - **TReDS expansion:** The Trade Receivables Discounting System "TReDS", is mandated for all CPSE purchases from MSME. The platform will now support **invoice discounting via credit guarantee mechanism** through CGTMSE. Introduced TReDS receivables as asset backed securities, this will improve liquidity and faster payments.
   - **MSME Compliance Support "Corporate Mitras":** MSMEs will get affordable compliance support through accredited para- professionals "Corporate Mitras", especially in Tier-II and Tier-III towns.

2. **Corporate Bond Market Reforms:**
   - To address low liquidity and limited trading in India's corporate bond market, the government proposes a market making framework, including bond derivatives and total return swaps, to deepen the market and facilitate long-term corporate funding.

3. Foreign Exchange Management Act:

- **Comprehensive review:** A review of the **Foreign Exchange Management (Non-Debt Instruments) Rules** has been proposed to establish more contemporary, user-friendly framework for foreign investments that aligns with India's evolving economic priorities.
- **Foreign Investment Boost**: The investment limits for Individual Persons Resident Outside India (PROIs) in Indian listed entities have been **enhanced**, with the individual investment limit increased from **5% to 10% and the aggregate investment limit for all PROIs raised from 10% to 24%.**

4. Infrastructure Development:

- **REITs (Real Estate Investment Trusts) for CPSE**: Building on the success of Real Estate Investment Trusts (REITs) in India for asset monetizing, the government proposes dedicated REITs for CPSEs real estate assets. This initiative aims to unlock value, improve asset efficiency, and recycle capital for new development and public investment.
- **Infrastructure Risk Sharing & Credit Support**: An Infrastructure Risk Guarantee Fund will be created to provide partial credit guarantees to lenders, thereby facilitating faster execution of infrastructure projects.

DISCLAIMER

This document has been prepared in summary form by DPNC Global LLP based on Budget Speech, Explanatory Memorandum & Finance Bill 2026 presented by the Hon'ble Finance Minister of India on 01st February 2026 and from sources believed to be reliable. For further details, please refer to Budget Speech, Finance Bill 2026 and Explanatory Memorandum.

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CONTACT US

Corporate Office

Windsor Grand, 15th Floor,
Plot No.1C, Sector – 126,
Noida – 201301, U.P., India
Phone:+91.120.6456999

Branch Office

120, Vipul Business Park,
Sector 48, Sohna Road,
Gurugram, Haryana -122018
Phone:+91.11.40526860

Email: dpnc@dpncglobal.com
Website: www.dpncglobal.com