RNM India

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Breaking down the UNION BUDGET 2026

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Union Budget 2026

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FOREWORD

It is my pleasure to write to you from the RNM India stall at World Forum of Accountants 2026 (WOFA2.0) being hosted at Greater Noida by ICAI on a Sunday, a few hours after Mrs. Nirmala Sitharaman, Hon'ble Union Minister for Finance presented the first ever Union Budget on the floor of the Parliament on a Sunday. When it comes to messaging, it clearly shows the intention of the current Modi Government in maintaining Business As Usual (BAU) when it comes to the Economy, in spite of severe global uncertainties and disruptions. That theme of BAU continued through the Budget Speech where no significant tinkering was announced, except a tax holiday till 2047 for cloud services to customers globally from data center services from India.

As it is the Income Tax Act, 2025 replacing the Income Tax Act, 1961, which is going to become effective from 1 April 2026, and the GST 2.0 changes introduced in September 2025, brings ease of doing business in India. Too many regulatory tax changes becomes counterproductive. The stock market unfortunately has given a thumbs down to the Budget with the Sensex and Nifty ending in the red, driven by unmet expectations in few sectors such as defence sector and surprise increase of Securities Transaction Tax (STT) on Futures by 0.03%. The Budget has increased spending on Defence to 11% of Budget as against 10% last year in line with geopolitical trends.

The good news is that the trajectory of fiscal deficit is declining to 4.3% Budget Estimate for 2026-27 as against 4.4% last year. The other good news for India Inc. and foreign investors is that the trend of tax receipts as a percentage of GDP is declining to 11.2% in 2026-27 from 11.4% in 2025-26. Lastly the other attractive data point is increase of capital expenditure as a percentage of GDP to 4.4% in 2026-27 from 3.9% in 2025-26.

To summarize, the Bhagavad Gita reminds us to focus on Nishkama Karma (selfless action), efficiency and ethical sustainable practices. For the common man and business community it's a good Budget, even though the sentiment on Dalal Street is down near term.

Jai Hind!

Raghu Marwah
CEO, RNM India

Amendments made by the Finance Bill 2026 to the Income Tax Act, 2025 ('the Act') as well as Income Tax, 1961 are summarized hereunder:

1. Rates of Income Tax:

A. Personal Tax Rates/ Slabs

- There is no change in the existing slab rates for the Tax Year 2026-27 applicable for all categories of individuals, HUF, AOP, BOI **opting for old tax regime under section 202(4) of the Act** which is mentioned below:

CATEGORY OF TAX PAYERS	INCOME	EXISTING TAX SLAB
INDIVIDUALS	Up to Rs.2,50,000	Nil
	Rs. 2,50,001 to 5,00,000	5%
	Rs. 5,00,001 to 10,00,000	20%
	Above Rs. 10,00,001	30%
SENIOR CITIZENS	Up to Rs.3,00,000	Nil
	Rs. 3,00,001 to 5,00,000	5%
	Rs. 5,00,001 to 10,00,000	20%
	Above Rs. 10,00,001	30%
VERY SENIOR CITIZENS	Up to Rs.5,00,000	Nil
	Rs. 5,00,001 to 10,00,000	20%
	Above Rs. 10,00,001	30%

- There is no change in the slab rate for all categories of individuals, HUF, AOP, BOI under new tax regime (i.e. default tax regime) as per section 202 of the Income Tax Act, 2025 which is applicable for Tax Year 2026-27 as mentioned in the chart below:

Income as per Finance Bill, 2026	Rate
Up to Rs.4,00,000	Nil
Rs. 4,00,001 to 8,00,000	5%
Rs. 8,00,001 to 12,00,000	10%
Rs. 12,00,001 to 16,00,000	15%
Rs. 16,00,001 to 20,00,000	20%
Rs. 20,00,001 to 24,00,000	25%
Above Rs. 24,00,000	30%

Cess: The existing rate applicable of Cess @ 4% (E.C 1% + SHEC 2%+ HC 1%) remains unchanged for the Tax Year 2026-27.

Surcharge: The surcharge rate for both resident and non- residents remained unchanged as mentioned below:

S.No.	Income Range	Rate of Surcharge (% on income tax)
1	Exceeding 50 lakhs but upto 1 crore	10%
2	Exceeding 1 crore but upto 2 crores	15%
3	**Exceeding 2 crores [Excluding dividend & income chargeable under section 196 ,197 and 198 of the Act] *but not exceeding 5 crores**	**25%**
4	Exceeding 5 crores [Excluding dividend & income chargeable under section 196,197 and 198 of the Act]	37%(restricted to 25% in case of new tax regime)
5	Exceeding 2 crores [including dividend & income chargeable under section 196, 197 and 198 of the Act]	15%

B. Co-operative Societies:

S. No.	INCOME	TAX RATE
1.	Upto Rs. 10,000	10%
2.	Between 10,000 to 20,000	20%
3.	Exceeding 20,000	30%

There is no change in existing rate of tax as mentioned above.

Surcharge is 7% if the Income is in excess of Rs. 1 crore to less than Rs. 10crore.

Surcharge is 12% if the Income is in excess of Rs. 10 crore.

Further, a cooperative society resident in India has option to pay tax at 22% and surcharge thereon @ 10% on such tax as per the provisions of section 203 of the Act 2025.

C. Firms:

In the case of firms, the rate of income-tax is 30% as specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as for Tax Year 2026-27. There is no amendment for the above in Finance Bill 2026.

Surcharge is 12% if the Income is in excess of Rs. 1 crore.

D. Local Authorities

In the case of Local authorities, the rate of income-tax is 30% as specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as for the Tax Year 2026-27. There is no amendment for the above in Finance Bill 2026.

Surcharge is 12% if the Income is in excess of Rs. 1 crore.

E. Companies:

In the case of companies, the rate of income-tax is same as specified in Paragraph E of Part III of the first schedule to the bill.

S. No.	Category of Companies	Total Turnover /Gross Receipt Tax year 2024-25	Rate
1.	Domestic Company	Upto 400 crores	25%
		Exceeding 400 Crores	30%
2.	Other than Domestic Company	35%	

It is further elaborated as under:

Company	Normal rates	Section 200	Section 201
Domestic, Turnover < 400cr	25%	22%	15%
Domestic, Turnover > 400cr	30%	22%	15%

Surcharge:

Company	Turnover	Surcharge
Domestic (Not-opted for section 200 and 201 of the Act)	Exceeds 1 crore	7%
	Exceeds 10 crore	12%
Domestic (Opted for section 200 and 201 of the Act)		10%
Foreign Companies	Exceeds 1 crore	2%
	Exceeds 10 crore	5%

Health and Educational cess: 4% of Income tax plus surcharge and Marginal relief is provided in all cases.

Rationalization of Minimum Alternate Tax provisions

It is proposed to rationalise the provisions of MAT under section 206, as such any MAT paid under the old regime will become final tax. However, the MAT rate is proposed to be reduced from existing rate of 15% to 14% of Book Profit.

Set-off of existing MAT credit will be permitted only under the new tax regime:

- For domestic companies: limited to 25% of current tax liability.
- For foreign companies: limited to the difference between normal tax and MAT in years where normal tax exceeds MAT.

Rates of TDS/TCS:

- **TDS**

There is no change in the threshold limit and rates of TDS.

However, in order to provide clarity with regard to the deduction of tax at source in case of supply of manpower, it is proposed to include it under the ambit of “work” in section 402(47). Therefore, TDS on supply of manpower will be subject to TDS either of at 1% or 2% as applicable. (w.e.f 01.04.2026).

- **TDS**

Rates of TCS are proposed to be rationalized as under (w.e.f 01.04.2026):

Sl. 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.	1%	2%
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 10 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%

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Rationalizing due dates for filing of return of Income:

To ease compliance for non-audit business/profession taxpayers, partners of non-audit firms, their eligible spouses, and trusts, the due date is proposed to be extended from **31 July to 31 August,** while the due date for individuals filing **ITR-1 and ITR-2** will continue to remain **31 July.**

These amendments will apply from **1 April 2026** (tax year 2026–27 onwards). The summary of applicable due dates of filing of ITR's of different categories of assessee are tabulated as under:

Sl. No.	Person	Conditions	Due Date
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 apply	30th November. (No Change)
2.	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force; 30th November. 31st October. (iii) Partner of a firm whose accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 do not apply	31st October. (No Change)

Sl. No.	Person	Conditions	Due Date
3.	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii)Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse).	As Above	***31st August.***
4.	Any other assessee	--	31st July.

Extending the period of filing Revised ITR:

It is proposed to extend the time limit for filing a revised return from **9 months to 12 months** from the end of the relevant tax year, so that taxpayers who file belated returns near the deadline can still revise them. A fee is also proposed for revised returns filed after nine months. Therefore, Revised ITR can also be filed between the period from January to 31st March with additional fees as against existing provisions allowing to revise ITR till 31st December.

Changes in the Scope of filing Updated ITR:

It is proposed to allow filing of an updated return in cases of loss declared in Original ITR and in case the taxpayers opt to reduce loss by filing updated ITR. Earlier no Updated ITR can be filed in case of reduction of loss and non-payment of additional tax.

Also, it is proposed to allow filing of Updated ITR even after a reassessment notice under section 280, within the period specified in the notice, precluding filing in any other manner. Section 267 will be amended to increase the additional tax payable by 10% in such cases, and no penalty under section 439 will apply on the income for which this additional tax is paid. Similar amendments are proposed in the Income-tax Act, 1961 to allow updated returns in response to section 148 notices.

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

It is proposed to introduce “**The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026”**, thereby granting small Tax Payers with legacy or inadvertent disclosures, including foreign employment benefits (ESOPs/RSUs), low-value bank accounts, insurance policies, or assets held during overseas deputation to disclosed Foreign Assets and income, pay tax/fee, and receive limited immunity from penalty and prosecution, excluding cases involving criminal prosecution or proceeds of crime.

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Rationalizing the due date to credit employee contribution by the employer to claim such contribution as deduction:

Section 29 of the Act is proposed to be amended thereby allowing deduction for employee welfare contributions received by an employer deposited before the due date of filing of ITR u/s. 263(1) as against the existing provision of allowing deduction only in case of deposits made within time specified under relevant Act.

Exemption on interest income under the Motor Vehicles Act, 1988 and deduction of TDS thereon:

It is proposed to amend the provisions of Section 11 of the Income-tax Act, 2025 granting exemption to specified persons thereby exempting interest income awarded to accident victims or their legal heirs for death, disability, or bodily injury.
Also the provisions of section 393(4) of the Act, is proposed to be amended and no TDS shall be deductible on such **interest paid to an individual,** regardless of amount.

No need to obtain tax deduction and collection account number (TAN) by a resident individual or HUF, for sale of immovable property belonging to non –resident:

It is proposed to **exempt resident individuals and HUFs from obtaining TAN** for TDS on purchase of immovable property from non-resident under section 393(2). Currently, buyers of immovable property from non-residents must obtain TAN to deduct TDS, creating compliance burden for one-time transactions.

This amendment will apply from **1 October 2026.**

Amendment Relating to Advance Pricing Agreements

It is proposed to amend Section 169, provides that where income is modified as a result of an APA, not only the APA applicant but also any affected associated enterprise may file a return or modified return, strictly in accordance with the APA. Such return or modified return must be filed within three months from the end of the month in which the APA is entered into.

Key Tax Proposals to Attract Global Business & Investment

- Foreign companies will be exempt from tax on income arising in India from procuring data centre services from notified Indian data centres (owned and operated by Indian companies) up to 31 March 2047, subject to conditions including routing services to Indian users through an Indian reseller.
- To incentivise exploration, the list of minerals eligible for deferred deduction of prospecting and exploration expenditure under section 51 will be expanded to include critical minerals.
- Income of foreign companies from supplying capital goods, equipment or tooling to Indian contract manufacturers of electronic goods located in custom bonded areas will be exempt from tax up to Tax Year 2030-31.
- Certain Non-Resident businesses opting for presumptive taxation—including cruise ship operations and electronics manufacturing support services—will be excluded from the applicability of Minimum Alternate Tax (MAT).
- Non-resident individuals rendering services in India under notified Government schemes will be exempt on foreign-sourced income for five consecutive tax years, subject to prescribed conditions.
- Tax incentives for IFSC units and Offshore Banking Units will be significantly enhanced by extending the tax holiday to 20 years, with a 15% tax rate on business income thereafter, along with rationalisation of provisions applicable to IFSC treasury centres.

These proposals aim to provide long-term tax certainty and strengthen India's position as a global hub for data centres, manufacturing, IFSC operations and strategic mineral exploration.

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

In order to end litigation on the jurisdictional issue of issuance of Notice u/s. 148A/148 and conflicting High Court decisions on whether NaFAC or its assessment units can exercise pre-assessment powers which is pending before the Supreme Court, it is proposed to make necessary amendment retrospectively from 1st April 2021 to expressly deem that the "Assessing Officer" for purposes of sections 148 and 148A shall always mean an officer other than NaFAC or its assessment units, alongside a corresponding prospective amendment in the Income-tax Act, 2025 effective from 1st April 2026 to minimize interpretational disputes and provide legal certainty.

Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner.

In order to end litigation, to clarify legislative intent and align with the simplification objectives of the forthcoming Income-tax Act, 2025, it is proposed to amend section 292B to expressly provide that assessments shall not be invalid merely due to mistakes, defects or omissions in quoting DIN, so long as the assessment order is referenced by such DIN in any manner, and that minor defects in related notices or summons shall also not invalidate the assessment, with retrospective effect from 1 October 2019 for the 1961 Act and prospective effect from 1 April 2026 for the 2025 Act.

Non-allowability of Interest as a deduction against Dividend Income

It is proposed to amend Section 93 of the Income tax Act, 2025; wherein no deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds taxable under the head “Income from other sources” under the Income tax Act, 2025. Applicable w.e.f. 1st April, 2026.

Increase in tax rates of Securities Transaction Tax:

Increase the rate of STT on sale of an ‘option’ in securities from 0.1% to 0.15% of the option premium, on sale of an option where the option is exercised from 0.125% to 0.15% of the intrinsic price, and on sale of a ‘future’ in securities from 0.02% to 0.05% of the traded price.

Taxation of buyback of shares:

Earlier consideration received by a shareholder on buy-back of shares by a company is treated as dividend income under section 2(40)(f) of the Income Tax Act, 2025. Now, consideration received on buy-back shall be chargeable to tax under the head “Capital gains” instead of being treated as dividend income. Further, in the case of promoters, the effective tax liability on gains arising from buy-back shall be 30%, comprising tax payable at the applicable rates together with an additional tax. In case of promoter companies, the effective tax liability will be 22%.

Relaxation of conditions for prosecution under the Black Money Act:

Amendment in Section 49 and section 50 of the Black Money Act is proposed to provide relief in cases of minor and inadvertent non-disclosures to align the prosecution provisions with the penalty framework, that these provisions shall not apply in respect of foreign assets, other than immovable property, where the aggregate value does not exceed Rs. 20 Lakhs. Applicable retrospectively w.e.f 1st October, 2024.

Rationalizing the period of block in case of other persons:

In case where undisclosed income pertaining to a third person relates only to a single tax year, the third person is nonetheless required to undergo the full block assessment procedure, resulting in an increased compliance burden on a person against whom no search or requisition was initiated. Accordingly, it is proposed to amend the section 295(2) of the Act so as to limit the period of block in case of third party. This amendment will take effect from the 1st April, 2026, for search or requisition is initiated or made as the case maybe, on or after 1st April, 2026.

Time limit to complete block assessment to the initiation of search or requisition:

Section 296 of the Income Tax Act, 2025 amended in respect of Time limit for completing a block assessment or reassessment, where any search has been initiated or requisition is made in the case of any person and consequently, the period of 12 months is increased to 18 months to complete such assessment in case of such person. This amendment will take effect from the 1st day of April, 2026, for search or requisition is initiated or made as the case maybe, on or after 1st day of April, 2026.

Rationalization of Penalties into Fee:

Various penalties under Income Tax Act, 2025 for late filing of various Forms rationalize into Fees tabulated as under :-

Nature of Default	Omitted Penalty Provisions	Fees added in Provision	Proposed Fee applicable w.e.f 1.04.2026
Failure to get accounts audited	Section 446 [0.5% of Turnover or max. 150000/-]	Section 428(c)	**Fees Rs**.75,000 or Rs. 1,50,000 ***(Depending on the period of delay)***
Failure to furnish report from an accountant (for international or specified domestic transactions)	Section 447 [Rs. 1,00,000]	Section 428(4)	**Fees Rs**. 50,000 or Rs.1,00,000 *(Depending on the period of delay)*
Failure to furnish statement of financial transactions (SFT) or reportable account	Section 454(1) [Rs. 1000 per day]	Section 427(3)	Converted from a daily penalty (previously ₹500/day) to a mandatory fee.

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

- It is proposed to impose penalty for under-reporting or misreporting of income together with addition in common order for avoiding multiplicity of proceedings which in turn would reduce the compliance of the tax payers apart from providing consistency in levying of penalty.
- Section 220 is also proposed to be amended for charging of interest under section 220(2) only after passing of the order by CIT(A) or ITAT (for appeal against DRP orders), as case maybe.
- The amendments shall come into force in the Income-tax Act, 2025 from 1st day of April, 2026 and in the Income-tax Act, 1961 from the 1st day of March, 2026.

Rationalization of tax rate under section 195 and penalty under section 443 in respect of certain Income:

Tax rate is reduced from 60% to 30% in respect of income referred to in section 102 to 106. Section 102 to 106 (unexplained credits, unexplained investment, unexplained asset, unexplained expenditure, etc.) and penalty rate on income determined by Assessing Officer which is in nature of income referred to in section 102 to 106 @ 100% for misreporting of income under section 439.

Expanding the scope of immunity from penalty or prosecution under section 440 of the Act 2025 and Section 270AA of the Income Tax Act, 1961

- Presently, immunity under section 440 can only be granted in the cases of under reporting of income and not in the case of under-reporting of income in consequence of misreporting. Now as per the proposed amendment the provision of immunity is also extended to such cases where under-reporting of income is in consequence of misreporting. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of the penalty. Applicable w.e.f. 1st April, 2026.
- Similarly, amendments are proposed in Sections 270AA of the Income Tax Act 1961 w.e.f 1st March, 2026 providing immunity in case of under-reporting of income is in consequence of misreporting. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of the penalty.

Customs duty

Policy changes

The Finance Bill, 2026 retains the median rate of Basic Customs Duty at 10%, reflecting continuity in the overall Customs Tariff policy while enabling targeted duty rationalisation for select sectors in line with domestic manufacturing and trade facilitation.

Customs Tariff Act

Rate movement

The following changes will be effective from February 2, 2026:

Description of Goods	Existing Rate of BCD	Revised Rate of BCD	Nature of Change
Umbrellas (other than garden umbrellas)	20% ad valorem	20% ad valorem or ₹60 per piece, whichever is higher	Introduction of composite duty (ad valorem + specific rate)
Parts, trimmings and accessories of umbrellas	10% ad valorem	10% ad valorem or ₹25 per kg, whichever is higher	Introduction of composite duty (ad valorem + specific rate)

Changes in the BCD rated on some key items are enunciated below:

Effective customs duty incidence remains unchanged; the tariff structure is being rationalised through rate realignment.

The following changes will be effective from May 01, 2026:

Description of Goods	Existing Rate of BCD	Revised Rate of BCD	Rate Movement
Meat and edible offal of turkeys, frozen	30%	5%	▽
Almonds, in shell	₹42 per kg	₹35 per kg	▽
Walnuts, in shell	120%	100%	▽
Seeds, fruit and spores of a kind used for sowing	30%	15%	▽
Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%	▽
Makhana, other roasted nuts and seeds	150%	30%	▽
Other nuts, otherwise prepared or preserved	150%	30%	▽
Natural sands (other than metal-bearing sands of Chapter 26)	5%	Nil	▽

Description of Goods	Existing Rate of BCD	Revised Rate of BCD	Rate Movement
Quartz (other than natural sands) and quartzite (whether or not roughly trimmed or cut)	5%	2.5%	▽
Coal, lignite and peat (including briquettes and similar solid fuels)	5%	2.5%	▽
Silicon (containing by weight not less than 99.99% of silicon)	5%	Nil	▽
Rare-earth metals, scandium and yttrium (whether or not intermixed or inter-alloyed)	5%	Nil	▽
Oxides, hydroxides and peroxides of strontium or barium	7.5%	Nil	▽
Cobalt oxides	7.5%	Nil	▽
Molybdenum oxides and hydroxides	7.5%	Nil	▽
Ammonium nitrate (whether or not in aqueous solution)	10%	5%	▽
Artificial graphite; colloidal or semi-colloidal graphite; graphite-based preparations	7.5%	2.5%	▽

Description of Goods	Existing Rate of BCD	Revised Rate of BCD	Rate Movement
Polymers of vinyl chloride or other halogenated olefins (primary forms)	10%	7.5%	▽
Plans and drawings for architectural, engineering, industrial or similar purposes (originals and reproductions)	10%	Nil	▽
Lead waste and scrap	5%	Nil	▽
Reactors, columns, towers and chemical storage tanks	10%	7.5%	▽

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Insertion of New Tariff Lines in the Customs Tariff Schedule

Description of Goods	Rate of Basic Customs Duty (BCD)
Krill, frozen	15%
Pecan nuts	30%
Cranberries, fresh	10%
Blueberries, fresh	10%
Cranberries, frozen	10%
Blueberries, frozen	10%
Cranberries, dried	10%
Blueberries, dried	10%
Shea nuts	15%
Cranberries, otherwise prepared or preserved	5%
Blueberries, otherwise prepared or preserved	10%
Cranberry products	10%
Acid-grade fluorspar (containing more than 97% CaF_2)	2.5%
Hafnium ores and concentrates	Nil
Ammonium metavanadate	2.5%
Gibberellic acid	5%
Triethyl orthoformate	5%
Diethyl malonate	5%
DL-2-Aminobutanol	5%
Aceto butyrolactone	5%
Artemisinin	5%

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Description of Goods	Rate of Basic Customs Duty (BCD)
Thymidine	5%
Odoriferous substances for food and beverage industries	10%
Wet blue leather (hides and skins)	Nil
Rayon-grade wood pulp	2.5%
Tungsten bars and rods	5%
Parts of air-conditioners (excluding split units)	10%
Filter parts (other than RO membrane)	7.5%
Battery separators	5%
Parts for apparatus of tariff headings 8525 to 8527	10%
Refrigerated containers	5%

Rate movement

Other proposals involving changes in Basic Customs Duty Rates

The following changes will be effective from February 2, 2026:

Description of Goods	Existing Rate of BCD	Revised Rate of BCD	Rate Movement
Monazite	2.5%	Nil	▽
Sodium antimonate (for use in manufacture of solar glass)	7.5%	Nil	▽
Potassium hydroxide	Nil	7.5%	▽
All goods for generation of nuclear power	7.5%	Nil	▽
Control and Protector Absorber Rods and Burnable Absorber Rods for nuclear power generation	7.5%	Nil	▽
Specified goods for manufacture of microwave ovens (CTH 8516 50 00)	As applicable	Nil	▽

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Review and Extension of Conditional Customs Duty Exemptions

The following exemption has been extended up to March 31, 2028.

Table I – Extended Conditional Exemptions

Category / Sector	Description of Goods (Key Items)
Agriculture & Food Products	Meat and edible offal of ducks (frozen); planting materials such as oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs; seeds or plants of fruits and pulses
Pharmaceuticals & Medical Devices	Lactose for manufacture of homeopathic medicine; Medical-use Fission Molybdenum-99 for manufacture of radiopharmaceuticals; specified goods for manufacture of ELISA kits; specified goods for manufacture of orthopedic implants and artificial body parts
Renewable Energy & Electronics Manufacturing	Specified goods for manufacture of solar photovoltaic cells/modules (including sheets or backsheets); specified goods for manufacture of Brushless Direct Current (BLDC) motors; capacitor-grade polypropylene granules/resins for capacitor film; copper wire/rod for photovoltaic ribbon
Export Promotion (EOU / Exporters)	Tags, labels, stickers, belts etc. imported by bona fide exporters; specified goods imported by exporters for manufacture of handicraft items for export

Category / Sector	Description of Goods (Key Items)
Paper, Printing & Publishing Industry	Pulp of wood or fibrous cellulosic material for manufacture of newsprint, paperboard, adult diapers and goods under heading 9619; lightweight coated paper (≤70 g/m²) for magazine printing; all goods imported for manufacture of paper, paperboard or newsprint
Semiconductor & Electronics Industry	Machinery, electrical equipment and instruments (excluding populated PCBs) for fabrication of semiconductor wafers and LCDs; moulds, tools and dies for manufacture of electronic components and equipment; open cells for LCD and LED TV panels
Aerospace & Defence	Raw materials for manufacture of aircraft and aircraft parts; scientific and technical instruments for launch vehicles, satellites and payloads
Oil, Gas & Energy Sector	Specified goods imported for petroleum operations and coal bed methane operations; machinery and auxiliary equipment for setting up power generation or Bio-CNG projects
IT & Digital Devices	Parts and components for manufacture of Micro ATMs, fingerprint scanners, iris scanners and POS card readers; parts for manufacture of reception apparatus for television and CCTV cameras
Testing & R&D	Goods imported for testing in specified test centres
Ports & Shipping	Barges or pontoons imported along with ships for faster unloading and loading of cargo
Medical Infrastructure	Medical and surgical instruments and accessories; hospital equipment for use in specified hospitals; parts and cases of Braille watches

Table II – Security Printing Sector (Extended Exemptions)

Sectors	Description of Goods
Security Paper & Currency Printing	Security fibre, security threads and paper-based taggant (including M-feature) for manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Pvt. Ltd., Mysore
Raw Materials for Security Inputs	Raw materials for manufacture of security fibre and security threads for supply to the above security paper mills

Withdrawal of Specified Conditional Customs Duty Exemptions with Effect from 31 March 2026

Category / Sector	Description of Goods (Key Items)
Fertilisers & Petrochemicals	Naphtha for manufacture of fertilisers; Liquefied Petroleum Gas (LPG) returned from DTA to SEZ units after use in manufacture of polyisobutylene
Pharmaceuticals & Chemicals	Maltol for manufacture of deferiprone; EPDM rubber for manufacture of insulated wires and cables
Medical & Hygiene Products	Hydrophilic and hydrophobic non-woven fabrics for manufacture of adult diapers; X-ray tubes for manufacture of X-ray machines
Electrical & Engineering Goods	Metal parts for manufacture of electrical insulators; Pipes and tubes for manufacture of boilers

Category / Sector	Description of Goods (Key Items)
Capital Goods & Machinery	High-speed web offset rotary printing machines with mail room equipment; Cash dispensers/automatic banknote dispensers and parts
Media & Entertainment	Television and filming equipment imported by foreign film/TV units; photographic and filming equipment re-imported after export
Electronics & Gaming	Parts of video games; motion pictures, music and gaming software recorded on media for gaming consoles

Removal of Sunset Clause in Specified Customs Exemption Entries with Effect from February 02, 2026

Sector	Description of Goods
Electronics & Broadcasting Equipment	Parts suitable for use solely or principally with apparatus of tariff headings 8525, 8526 or 8527
Ship Imports (non-breaking)	All goods under tariff headings 8901 and 8906 (excluding vessels imported for breaking up)

Prescription of Sunset Date for Specified Entries, March 31, 2027.

Category	Description of Goods
Precious Metals (Dore Bars)	Gold dore bars (gold content ≤95%); Silver dore bars (silver content ≤95%)
Passenger Baggage – Gold & Silver	Gold bars (other than tola bars), gold coins (≥99.5% purity), gold in other forms including tola bars and ornaments (excluding stone-studded ornaments); Silver in any form including ornaments (excluding stone-studded ornaments) imported by eligible passengers

Rationalisation of Conditional Customs Duty Exemptions, under specific Notification to be effective from February 02, 2026.

Description of Goods / Condition	Revised Provision (Abridged)
Specified goods for processing of sea-food	Duty-free import limit enhanced from **1% to 3%** of **FOB value** of seafood exports of the preceding financial year
Specified goods for manufacture of solar PV components	Scope expanded to include goods for manufacture of **EVA/PoE sheets or encapsulants or backsheets** used in solar photovoltaic cells or modules
Specified inputs imported at concessional duty for manufacture of value-added products	Time limit for export of finished goods extended from **6 months to 12 months**
Specified inputs for manufacture of leather/synthetic footwear for export	Benefit extended to **exporters of shoe-uppers;** export obligation period extended from **6 months to 12 months**

Description of Goods / Condition	Revised Provision (Abridged)
Copper wire / copper rods for solar photovoltaic applications	Description expanded to cover copper wire exceeding **6 mm cross-section** and copper rods for manufacture of photovoltaic ribbon, interconnects and solar ribbons
Forged steel rings and wind energy components	Entry relating to forged steel rings merged with wind-energy component entry; description modified

Withdrawal of Specified Conditional Customs Duty Exemptions

Description of Goods / Condition
Ethylene Vinyl Acetate (EVA) New pneumatic tyres of rubber for aircraft (other than specified exempted categories) Screws, bolts, nuts and non-threaded fasteners under tariff items 7318 15 00, 7318 16 00 and 7318 29 90

Specified Basic Customs Duty Exemptions Extended till 31 March 2028.

Description of Goods / Condition
Precious stones imported by post on approval or return basis Goods imported for execution of export orders under jobbing arrangements Copper cathodes, wire bars and wire rods produced out of copper reverts Gold and silver produced out of copper anode slime exported for toll smelting and processing

Social Welfare Surcharge – Policy Continuity and Technical Alignment

The Explanatory Memorandum to the Finance Bill, 2026 clarifies that the levy of Social Welfare Surcharge shall continue as an integral component of the customs duty framework without any change in its basic structure. The Memorandum emphasises that while extensive rationalisation of customs tariff rates and exemption entries has been undertaken, the surcharge mechanism remains unchanged in order to ensure stability in revenue mobilisation for social welfare and development programmes.

At the same time, the Memorandum highlights that technical adjustments have been made to align the applicability of Social Welfare Surcharge with the revised customs tariff and exemption structure. These changes are intended to ensure that the surcharge uniformly follows the underlying customs duty treatment of goods, thereby removing inconsistencies and redundant references arising from earlier exemption provisions.

The Memorandum further explains that the continued levy of Social Welfare Surcharge has been factored into the calibration of customs duty rates, including the retention of the median Basic Customs Duty rate. As a result, the overall customs duty incidence reflects a balanced approach between tariff rationalisation and the continuation of the surcharge framework.

From a technical standpoint, the Memorandum indicates that the surcharge will continue to be computed as a percentage of the applicable customs duties and will apply in accordance with the revised tariff entries and exemption provisions. Importers must therefore evaluate the effective duty burden by considering both the amended Basic Customs Duty rates and the continued incidence of Social Welfare Surcharge.

RNM India Comment

The Explanatory Memorandum reflects a conscious legislative intent to continue the Social Welfare Surcharge as a unified and stable element of the customs duty structure, while simultaneously rationalising the customs tariff and exemption framework. The technical alignment of the surcharge with revised duty structures enhances legal clarity and reduces interpretational uncertainty, enabling businesses to assess their true import costs with greater predictability.

Alignment of Agriculture Infrastructure and Development Cess Provisions for Aircraft Tyres

Under the Agriculture Infrastructure and Development Cess framework, new pneumatic tyres of rubber used on aircraft and classifiable under the relevant tariff item continue to attract Agriculture Infrastructure and Development Cess at the rate of 0.5%. The description of the applicable entry has been modified to remove reference to a related exemption entry which stands omitted with effect from 02 February 2026. This amendment is consequential and technical in nature, undertaken to ensure consistency in the operation of the cess in light of the rationalisation of exemption notifications. The applicable rate of Agriculture Infrastructure and Development Cess remains unchanged at 0.5%, except in cases where the goods attract Nil Basic Customs Duty.

RNM India Comment

This amendment does not introduce any substantive change in the incidence or rate of Agriculture Infrastructure and Development Cess but serves to preserve continuity and legal clarity following the omission of a connected exemption entry. By aligning the description of the cess entry with the revised exemption framework, the amendment avoids interpretational ambiguity and ensures that the levy on aircraft tyres continues in accordance with the existing policy intent. The measure provides regulatory certainty to importers engaged in aviation-related procurement while maintaining coherence within the customs notification structure.

Rationalisation of Deferred Payment of Import Duty Framework

The Deferred Payment of Import Duty Rules, have been amended to rationalise the duty payment mechanism and strengthen risk-based facilitation under the Customs framework. Under the amended rules, the periodicity for payment of deferred import duty has been extended from a fortnightly cycle to a monthly payment cycle, thereby enabling eligible importers to discharge their customs duty liability once in a month instead of every fifteen days. This measure is expected to enhance liquidity and improve cash-flow management for importers, particularly those engaged in high-volume or frequent import operations.

Further, the amendments introduce a new category of "eligible importers" for the purpose of availing the deferred duty payment facility. The benefit of deferred payment will no longer be available uniformly to all importers but will be extended only to such persons as may be notified based on prescribed eligibility criteria, including compliance record, financial standing and risk profile. This calibrated approach allows Customs authorities to grant credit-like facilitation selectively to importers demonstrating a high level of regulatory compliance and financial credibility, while simultaneously safeguarding revenue interests through a structured risk management framework.

RNM India Comment

The amendment to the Deferred Payment of Import Duty Rules reflects a shift towards a more facilitative and risk-based customs administration framework. By extending the duty payment cycle to a monthly basis and restricting the facility to a defined class of eligible importers, the measure balances trade facilitation with revenue protection. It promotes liquidity and operational efficiency for compliant importers while reinforcing the principle that regulatory concessions should be linked to demonstrable compliance history and financial robustness. This structured approach is expected to enhance predictability in duty payment, reduce administrative burden, and strengthen trust-based engagement between Customs authorities and trade participants.

Supersession of the Baggage Rules, 2016 and Enactment of the Baggage Rules, 2026.

The following changes will be effective from February 2, 2026:

The existing Baggage Rules, 2016 are being superseded by the Baggage Rules, 2026 with the objective of rationalising baggage-related provisions and addressing operational and interpretational issues faced by passengers and Customs authorities at airports. The new rules seek to simplify and standardise the regulatory framework governing passenger baggage so as to ensure uniform application across all ports of entry. They introduce clearer provisions governing the temporary import and export of goods, thereby reducing the risk of detention or penal action in cases of bona fide temporary carriage. Further, the framework relating to Transfer of Residence (ToR) benefits has been restructured for Indian residents returning from abroad as well as foreign professionals relocating to India, with eligibility criteria now being linked more closely to the duration of stay outside India.

RNM India Comment

The Baggage Rules, 2026 represent a passenger-centric and compliance-oriented reform aimed at enhancing clarity, transparency and administrative efficiency in baggage regulation. By providing explicit guidance on temporary carriage of goods and aligning Transfer of Residence benefits with objective criteria such as duration of stay, the rules are expected to reduce interpretational disputes and ensure predictable treatment for passengers. The revised framework also strengthens procedural consistency across airports, thereby facilitating smoother customs clearance while maintaining appropriate regulatory oversight. Overall, the new rules strike a balanced approach between passenger facilitation and effective customs control.

Excise Duty Amendments under the Finance Bill, 2026

I. Amendment to National Calamity Contingent Duty (NCCD) on Tobacco Products

The following changes will be effective from May 01, 2026:
The Seventh Schedule to the Finance Act, 2001 has been amended to revise the rates of National Calamity Contingent Duty (NCCD) applicable to specified tobacco products, including chewing tobacco, jarda scented tobacco and other tobacco products such as gutkha. While the statutory NCCD rates have been enhanced, the overall effective rate of duty remains unchanged due to corresponding adjustments in the duty structure.

Tariff Item	Description	Existing Rate	Revised Rate
2403 99 10	Chewing tobacco	25%	60%
2403 99 30	Jarda scented tobacco	25%	60%
2403 99 90	Other tobacco products (including gutkha)	25%	60%

Note: The effective duty incidence remains unchanged.

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RNM India Comment

This amendment represents a restructuring of the NCCD rate framework for tobacco products without altering the overall tax burden. The change is technical in nature and aims at rationalising the duty composition while preserving revenue neutrality. It also reflects continued policy emphasis on higher statutory levies on tobacco products in alignment with public health objectives, without causing immediate disruption to the existing duty incidence.

II. Exemption from Central Excise Duty on Biogas / Compressed Biogas (CBG) in Blended CNG

The following changes will be effective from February 2, 2026:

The exemption framework for blended Compressed Natural Gas (CNG) has been expanded to exclude the entire value of Biogas / Compressed Biogas (CBG) from the transaction value for the purpose of levy of Central Excise Duty. In addition, the Goods and Services Tax (Central/State/UT/Integrated Tax) paid on such biogas/CBG component is also excluded from the assessable value.

Accordingly, Central Excise Duty shall not be levied on:

- the value of biogas/CBG contained in blended CNG, and
- the GST paid on such biogas/CBG component.

This amendment replaces the earlier position where exemption was limited only to the GST portion paid on biogas/CBG.

RNM India Comment

This amendment strengthens the fiscal incentive structure for renewable and green energy fuels by ensuring that biogas/CBG is fully insulated from excise duty incidence when blended with CNG. It aligns the excise regime with environmental policy objectives and provides clarity and certainty to fuel suppliers and distributors engaged in blended CNG operations. The measure is expected to encourage greater adoption of compressed biogas and support India's clean energy transition.

III. Deferment of Higher Excise Duty on Sale of Unblended Diesel

A proposal to levy an additional excise duty of ₹2 per litre on the sale of unblended diesel has been deferred until 31 March 2028. Consequently, the sale of unblended diesel shall continue without the imposition of such additional excise duty during the deferment period.

RNM India Comment

The deferment of the proposed additional excise duty on unblended diesel reflects a calibrated policy approach balancing environmental objectives with price stability and economic considerations. By postponing the levy, the Government avoids immediate inflationary pressure on fuel prices while providing additional time for transition towards blended and cleaner fuel alternatives. This measure offers regulatory certainty to fuel suppliers and consumers in the near term.

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Custom Act

Legislative Changes

The changes to come into effect from April 01, 2026.

<u>Customs Act - Jurisdiction, Advance Ruling & Warehousing</u>

1. (a) Extension of Customs jurisdiction beyond territorial waters – Fishing activities

The Finance Bill, proposes to extend the applicability of the Customs law beyond India's territorial waters for fishing and fishing-related activities. A new statutory definition of an "Indian-flagged fishing vessel" has been introduced, and a special provision has been inserted to allow fish harvested beyond territorial waters to be brought into India free of Customs duty, while fish landed at foreign ports will be treated as exports of goods. This framework also empowers the Government and the Central Board of Indirect Taxes and Customs to prescribe detailed rules and regulations governing declaration, custody, examination, assessment of duty, clearance, transit and transhipment of such fish.

RNM India Comment

This aligns Indian Customs law with UNCLOS principles and international maritime trade practices. It removes long-standing ambiguity on whether catch beyond territorial waters attracts import duty.

Judicial support:

The Supreme Court in Aban Loyd Chiles Offshore Ltd. v. Union of India (2008) held that Customs law can extend beyond territorial waters when specifically legislated. Finance Bill 2026 now gives explicit statutory backing to this principle.

Benefit:

- Duty-free import of fish catch boosts Indian fishing industry.
- Export recognition for foreign-port landings enables GST zero-rating and export incentives.

Downside:

- Increased compliance burden due to new declaration, custody and transit regulations.

(b) Advance Ruling validity increased to 5 years

The legislation proposes to extend the validity of advance rulings to a period of five years or until there is a change in law or in the facts on the basis of which the ruling was pronounced, whichever is earlier. It also provides that advance rulings which are in force on the date the Finance Bill receives Presidential assent may, upon request by the applicant, be extended for a further period of five years from the date of the original ruling.

RNM India Comment

This is a major certainty-enhancing reform for importers, especially in valuation and classification disputes.

Judicial support:

Courts have repeatedly emphasized certainty in taxation. This amendment strengthens reliance on advance rulings.

Benefit:

- Predictability in customs planning.
- Reduction in litigation.

Downside:

- Still vulnerable to retrospective change in “facts”, which may be subjectively interpreted.

(c) Removal of prior permission for inter-warehouse movement

Proposes to simplify the procedure for movement of warehoused goods by removing the requirement of obtaining prior permission from the proper officer for transferring goods from one warehouse to another. The transfer of warehoused goods would instead be subject to such conditions and procedures as may be prescribed through rules and regulations, thereby facilitating smoother logistics operations and reducing procedural delays.

RNM India Comment

This is a trade facilitation measure aligned with the WTO Trade Facilitation Agreement.

Benefit:

- Faster logistics
- Reduced interface with officers
- Lower transaction costs

Downside:

- Risk of misappropriation if internal controls are weak; more post-audit scrutiny expected.

(c) Removal of prior permission for inter-warehouse movement

Proposes to simplify the procedure for movement of warehoused goods by removing the requirement of obtaining prior permission from the proper officer for transferring goods from one warehouse to another. The transfer of warehoused goods would instead be subject to such conditions and procedures as may be prescribed through rules and regulations, thereby facilitating smoother logistics operations and reducing procedural delays.

Customs Tariff Act – Structural Rate Changes

The changes to come into effect from April 01, 2026.

Proposes extensive amendments to the Customs Tariff structure through multiple Schedules, including the introduction of composite duties on selected goods, revision of duty rates on items such as electronics, machinery, batteries, containers and agricultural products, and the creation of new tariff entries with effect from May 01, 2026. These changes are intended to rationalise the tariff framework, encourage domestic manufacturing and reduce classification disputes by providing greater specificity in tariff headings.

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RNM India Comment

The tariff restructuring supports “Make in India” by lowering duties on raw materials and increasing duties on finished goods.

Judicial support:

CIn Apex Court has held that tariff classification must strictly follow schedule entries. New tariff headings reduce classification disputes.

Benefit:

- Cheaper inputs for manufacturers
- Improved export competitiveness
- Reduced ambiguity in classification

Downside:

- Importers of finished goods may face higher landed cost
- Transition challenges due to reclassification

(c) Removal of prior permission for inter-warehouse movement

Proposes to simplify the procedure for movement of warehoused goods by removing the requirement of obtaining prior permission from the proper officer for transferring goods from one warehouse to another. The transfer of warehoused goods would instead be subject to such conditions and procedures as may be prescribed through rules and regulations, thereby facilitating smoother logistics operations and reducing procedural delays.

Goods and Services Tax

Legislative Changes

The amendments shall take effect from the enactment of the Finance Bill 2026, unless otherwise specified.

CGST Act Amendments – Discounts, Refunds & Appellate Mechanism

1. (a) Post-sale discounts liberalized.

The Finance Bill, proposes to liberalise the treatment of post-sale discounts by removing the requirement that such discounts must be linked to invoice-level agreements in order to qualify for reduction in taxable value. It allows suppliers to issue credit notes in respect of post-supply discounts, subject to the condition that the recipient reverses the corresponding input tax credit. This change aligns the tax treatment of discounts with commercial business practices and is expected to reduce valuation disputes and litigation.

RNM India Comment

This amendment clarifies the legislative intent regarding the treatment of post-supply discounts and aligns the statutory valuation framework with prevailing commercial practices. By providing an explicit mechanism for issuance of credit notes subject to reversal of corresponding input tax credit, the provision promotes uniformity in interpretation and enhances certainty for taxpayers, thereby contributing to a more predictable and consistent tax administration framework.

Judicial support:

The Apex Court recognised commercial discounts as part of transaction value when properly documented.

Benefit:

- Greater flexibility in commercial contracts
- Reduces valuation disputes
- Encourages legitimate business rebates

Downside:

- Possible scrutiny on genuineness of discounts.

(b) Provisional refund extended to inverted duty structure

Proposes to extend the benefit of provisional refund to refunds arising on account of inverted duty structure and to remove the existing threshold limit for refund claims in respect of goods exported out of India with payment of tax.

RNM India Comment

This measure is aimed at improving liquidity for taxpayers, particularly exporters and manufacturers facing accumulation of input tax credit, and is expected to expedite the refund process and ease working capital constraints.

Judicial support:

The Apex Court recognised commercial discounts as part of transaction value when properly documented.

Benefit:

- Faster refunds
- Improved working capital
- Encourages exports.

(c) Interim appellate authority till National Appellate Tribunal

The change to come into effect from April 01, 2026.

The bill, empowers the Government, on the recommendation of the GST Council, to authorise an existing adjudicatory authority, including a Tribunal, to hear appeals relating to advance ruling matters until the National Appellate Authority is formally constituted. This transitional arrangement ensures continuity of appellate remedies and avoids a legal vacuum in the dispute resolution mechanism for advance rulings.

RNM India Comment

This resolves constitutional vacuum pointed out in Mohit Minerals Pvt Ltd (SC), where lack of National Tribunal caused uncertainty.

Benefit:

- Restores appellate remedy
- Reduces legal limbo in advance ruling disputes.

2. IGST Act – Intermediary Services Place of Supply

The change to come into effect from April 01, 2026.

Proposes to shift the determination of place of supply for intermediary services to the location of the recipient of such services. As a result, intermediary services provided to recipients located outside India would be treated in accordance with the general place of supply principles applicable to cross-border services, thereby enabling such supplies to qualify as exports of services subject to fulfilment of prescribed conditions.

RNM India Comment

This is one of the most business-friendly reforms. It converts intermediary services into export of services if recipient is outside India. This change is expected to significantly benefit service providers engaged in international intermediary arrangements by aligning the tax treatment with destination-based taxation principles.

Judicial support:

In Supreme Court upheld validity of Section 13(8)(b) of the IGST Act, but acknowledged policy concerns. Finance Bill now corrects the anomaly legislatively.

Benefit:

- Zero-rated supply eligibility
- Refund of ITC
- Boosts IT/consultancy/BPO sector

Downside:

- Revenue impact for Government
- Likely increase in refund claims

Sectoral Analysis of Indirect Tax Amendments under the Finance Bill, 2026

Covering key legislative changes, business impact and compliance action points across major industry sectors.

Sector	Key Indirect Tax Changes	Impact	Remarks
Exporters (Goods & Services)	Intermediary services aligned to recipient location; provisional refunds extended to inverted duty structure; threshold removed for export refund claims; customs tariff rationalization.	Improved export competitiveness; faster cash flow through refunds; certainty in customs duty incidence.	Review contracts & invoicing; update GST refund processes; strengthen export documentation; rework pricing models.
IT / BPO / Intermediary Services	Place of supply based on recipient location enabling export of services	Enables zero-rated supplies and ITC refunds; removes earlier anomaly; improves global competitiveness	Amend contracts; revise invoicing & tax positions; ensure foreign currency realisation evidence; prepare for higher refund claims
Manufacturing (Electronics, Machinery, Batteries, Engineering Goods)	Tariff revisions on inputs & finished goods; advance ruling validity extended to 5 years; simplified inter-warehouse movement	Reduced cost of certain inputs; greater certainty in classification; improved logistics efficiency	May conduct tariff impact study; seek advance rulings where needed; update SOPs for bonded warehousing; revise supply chain strategy

Sector	Key Indirect Tax Changes	Impact	Remarks
Textiles, Leather, Chemicals (Inverted Duty Sectors)	Provisional refunds extended to inverted duty structure; tariff rationalisation on select raw materials	Improved working capital; reduced ITC accumulation; potential cost changes	Identify eligibility for provisional refunds; strengthen refund documentation; review sourcing & pricing strategies
Fisheries & Marine Products	Fish harvested beyond territorial waters duty-free; foreign port landings treated as exports; new regulatory framework	Statutory clarity; access to export benefits; lower import duty burden	Update vessel & catch documentation; align logistics & customs procedures; prepare for prescribed rules
Logistics & Warehousing	Removal of prior permission for inter-warehouse movement; new custody rules for courier/post imports	Faster movement of goods; increased compliance obligations for courier & e-commerce imports	May update internal SOPs; enhance tracking & reporting systems; train compliance teams
Agriculture & Food Processing	Duty changes on nuts, spices & agri products; selective protection for domestic producers	Input cost variations; impact on retail pricing and margins	Reassess import strategy; renegotiate supply contracts; plan inventory around effective dates

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Sector	Key Indirect Tax Changes	Impact	Remarks
Retail / FMCG / Trading Companies	Liberalised post-supply discount treatment; customs tariff changes on consumer goods	Reduced valuation disputes; impact on landed costs and pricing	May update discount policies; modify ERP for credit notes & ITC reversals; revise distributor agreements
Courier / E-commerce Imports	Board empowered to regulate custody of goods imported by post/courier	Tighter controls; increased compliance burden	Review operational processes; upgrade IT systems for customs reporting; ensure custody compliance.
Dispute Resolution & Advance Ruling Applicants	Advance rulings valid for 5 years; interim appellate mechanism until National Authority constituted	Greater certainty; restored appellate remedy	Apply for extension of existing rulings; identify areas for new advance rulings; reassess litigation strategy.

Sector	Key Indirect Tax Changes	Impact	Remarks
Infrastructure (EPC, Roads, Power, Railways, Ports, Urban Infrastructure)	Customs tariff rationalisation on machinery & engineering inputs; advance ruling validity extended; simplified inter-warehouse movement; liberalised post-supply discount treatment; provisional refunds for inverted duty structure; custody rules for courier imports	Lower or rationalised landed cost of capital goods in some segments; improved certainty for high-value imports; smoother logistics; better GST valuation alignment with EPC contracts; improved cash flow through refunds	May review duty impact on project equipment; revisit project costing and bid pricing; consider advance rulings for critical equipment; update contracts for discount treatment; strengthen GST refund systems; may update SOPs for warehouse and courier compliance.
Overall Industry (Cross-sector)	Median BCD retained at 10%; tariff rationalisation; refund & valuation reforms	Policy stability with selective sectoral support; reduced litigation and procedural friction	Holistic impact assessment; update ERP and compliance frameworks.

1. Financial Sector and Capital Markets

1.1 High-Level Committee on Banking for Viksit Bharat

A high-level committee will review banks and NBFCs to strengthen the financial system, improve efficiency and scale, and ensure stability, inclusion and consumer protection for India's next phase of growth.

1.2 Restructuring of PFC and REC

Power Finance Corporation and Rural Electrification Corporation will be restructured to enhance operational efficiency, scale and infrastructure financing in the power and energy sector.

1.3 Review of FEMA (Non-Debt Instruments) Rules

The FEMA (Non-Debt Instruments) Rules will be comprehensively reviewed to create a simplified, modern and investor-friendly framework aligned with India's evolving economic priorities.

1.4 Deepening Corporate and Municipal Bond Markets

Measures will be taken to strengthen corporate bond markets and incentivise large municipal bond issuances to support urban infrastructure financing.

1.5 Liberalization of Portfolio Investment Scheme for PROIs

Investment limits for overseas individuals in listed Indian companies has been increased from 5% to 10%, while the overall combined limit for all such investors will increase from 10% to 24%under the Portfolio Investment Scheme to improve market liquidity and attract greater global participation.

2. Manufacturing and Industrial and Growth

2.1 Introduction of **Biopharma SHAKTI** with an outlay of ₹ 10,000 crores over the next 5 years with focus on biologics & biosimilars, 3 new NIPERs, 7 upgraded NIPERs, 1,000+ accredited clinical trial sites and Strengthening CDSCO with scientific review cadre.

2.2 Launch of **India Semiconductor Mission (ISM) 2.0** to produce equipment and materials, design fullstack Indian IP, and fortify supply chains.

2.3 Increase of the outlay of **Electronics Components Manufacturing Scheme** from ₹22,919 crore to ₹40,000 crore.

2.4 Dedicated Rare Earth Corridors in States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu.

2.5 Establishment of 3 **dedicated Chemical Parks**

2.6 For **Capital Goods & Heavy Engineering**, (a) Establishment of Hi-Tech Tool Rooms by CPSEs at 2 locations (b) New Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) and;(c) New Scheme for Container Manufacturing with a budgetary allocation of ₹10,000 crore over a 5 year period.

2.7 Under **Textiles & Village Industries**,(a) Integrated Textile Programme (Fibre, clusters, handloom, sustainability, skilling) (b) Mega Textile Parks (challenge mode)and;(c) **Mahatma Gandhi Gram Swaraj Initiative** for khadi, handloom, handicrafts

2.8 Dedicated initiative for R&D, materials science, global competitiveness for **Sports Goods Manufacturing**

2.9 New Scheme for Rejuvenation of 200 Legacy Industrial Clusters

3. MSMEs and Micro Enterprises

3.1 Equity Support covering **₹10,000 crore SME Growth Fund and** ₹2,000 crore top-up to Self-Reliant India Fund

3.2 Liquidity Support providing Mandatory TReDS usage for CPSE MSME purchases, Credit guarantee for TReDS invoice discounting, GeM–TReDS integration and Securitisation of TReDS receivables

3.3 Professional Support thru"Corporate Mitras" via ICAI, ICSI, ICMAI with Affordable compliance support in Tier-II/III cities

4. Infrastructure and Urban Development

4.1 Capex increased to ₹12.2 lakh crore
4.2 Infrastructure Risk Guarantee Fund for construction-phase risks
4.3 Asset monetisation via CPSE-specific REITs
4.4 New Dedicated Freight Corridor (Dankuni–Surat)
4.5 20 new National Waterways; ship repair hubs at Varanasi & Patna
4.6 Coastal Cargo Promotion Scheme
4.7 Seaplane manufacturing & VGF for operations
4.8 City Economic Regions (CER) with Allocation of **₹5,000 crore per CER (5 years)** as form-linked, outcome-based financing
4.9 Seven (7) High-Speed Rail Corridors connecting major growth clusters.

5. Energy and Climate

5.1 Setting up of Carbon Capture Utilisation & Storage (CCUS) with Outlay of **₹20,000 crore (5 years)**

6. Services Sector and Human Capital

6.1 Education to Employment with setting up High-Powered Standing Committee for services-led growth;

6.2 Building **Health & Care Economy** with 1 lakh Allied Health Professionals,1.5 lakh caregivers trained and Medical Value Tourism Hubs (5 regions)

6.3 Under AYUSH, 3 new All India Institutes of Ayurveda and Upgraded labs & WHO Centre at Jamnagar

6.4 Creative & Knowledge Economy with setting of AVGC labs in 15,000 schools & 500 colleges, New National Institute of Design (Eastern India), University Townships near industrial corridors, Girls' hostels in every district and Advanced astronomy infrastructure.

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7. Tourism, Culture and Sports

7.1 Setting up of National Institute of Hospitality
7.2 Guide upskilling at iconic sites
7.3 Digital Knowledge Grid for destinations
7.4 Eco-tourism trails (mountain, turtle, birding)
7.5 Archaeological site development
7.6 Khelo India Mission for sports ecosystem transformation

8. Agriculture and Rural Prosperity

8.1 Fisheries, livestock, high-value crops
8.2 Coconut Promotion Scheme
8.3 Cashew & cocoa self-reliance programme
8.4 Sandalwood ecosystem revival
8.5 Nut orchards rejuvenation
8.6 Bharat-VISTAAR AI-based agri advisory
8.7 SHE-Marts **for women-led enterprises**

9. Social Inclusion and Regional Development

9.1 Divyangjan Kaushal & Sahara Yojanas
9.2 Assistive Technology Marts
9.3 NIMHANS-2 & trauma care expansion
9.4 Purvodaya East Coast Industrial Corridor
9.5 Buddhist circuits in North-East

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INDUSTRY-WISE IMPACT

S.No.	Sector/ Industry	Budget Measures	Analysis	Impact/ Remarks
1	Banking	• High-Level Committee on Banking for Viksit Bharat • Continued focus on financial stability and inclusion	The banking industry is set to benefit from the upcoming wave of structural reforms, which will help enhance scale, governance, and efficiency. With asset quality touching historic highs and high capital adequacy ratios, banks are poised to support higher credit growth. However, the lack of an immediate regulatory easing indicates that the gains will be realized over time.	**Positive (Medium-term)**
2	NBFCs & Infrastructure Finance	• Restructuring of PFC and REC • Infrastructure Risk Guarantee Fund • Bond market development	Strengthening of public sector NBFCs supports long-term infrastructure and energy lending. Risk-sharing arrangements improve the bankability of large projects. Private NBFCs could be impacted by competition from stronger public institutions, but they will also benefit from more developed capital markets.	**Positive**

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S.No.	Sector/ Industry	Budget Measures	Analysis	Impact/ Remarks
3	Manufacturing & Industrial Sector	• Schemes for biopharma, semiconductors, electronics, chemicals, textiles, capital goods • Rare earth corridors and cluster development	The Budget is highly supportive of the growth of manufacturing, import substitution, and export competitiveness. Emphasis on technology, skill development, and value chains is in line with the global trends in supply chains. Capital-intensive sectors might not easily involve MSMEs.	**Strongly Positive**
4	MSMEs	• ₹10,000 crore SME Growth Fund • Expanded TReDS framework • Credit guarantees and compliance support	Better access to equity and working capital will improve the growth prospects of MSMEs. Compulsory digital platforms may pose an initial problem to smaller entities but will help in formalization and scalability in the long run.	**Positive**
5	Infrastructure & Construction	• Public capex increased to ₹12.2 lakh crore • Freight corridors, waterways, high-speed rail, urban infrastructure	Continued capex spending will ensure continued order flow for EPC, logistics, and construction firms. Risk guarantees will further improve private sector participation. Efficiency in execution is still very important.	**Very Positive**

S.No.	Sector/ Industry	Budget Measures	Analysis	Impact/ Remarks
6	Healthcare & Pharmaceuticals	• Biopharma SHAKTI • Expansion of clinical trials and allied health training • Medical value tourism hubs	Improves India's competitiveness in high-end pharma and healthcare delivery. Exports, R&D, and skilled employment are encouraged.	**Positive**
7	Technology, Electronics & AI	• Semiconductor Mission 2.0 • Electronics manufacturing expansion • AI and research ecosystem support	Boosts India's competitiveness in strategic tech domains. Although barriers to entry are high, this may not immediately help SMEs but will attract large investments.	**Strongly Positive**
8	Tourism, Hospitality & Services	• Tourism infrastructure and skilling • Heritage development and eco-tourism	Encourages job creation, foreign exchange earnings, and development of regions. Last-mile connectivity and private sector involvement are critical for success.	**Positive**

S.No.	Sector/ Industry	Budget Measures	Analysis	Impact/ Remarks
9	Education & Skill Development	• University townships • AVGC labs and design institutes • Girls' hostels	Improves employability and innovation capabilities, especially in the service and creative sectors. Long gestation period before measurable outcomes.	**Positive (Long-term)**
10	Urban Development & Real Estate	• Municipal bond incentives • City Economic Regions • REIT-based asset monetisation	Enhances urban infrastructure funding and recycling. Smaller cities might have capacity limitations in accessing bond markets.	**Positive**

Overall Assessment

The Union Budget for 2026-27 is a reform, investment, and future-oriented budget. It has medium to long-term growth, competitiveness, and fiscal responsibility as its focus areas, with very little emphasis on short-term consumption drivers.

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