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Highlights of the
Union Budget

2026-27



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Economic Survey

State of Indian Economy

Economic Survey 2025-26 projected a real GDP growth for FY 26 at 7.4% while GVA growth estimated at 7.3% in FY 26.

- Factors that support economy growth are:

Reduction in Unemployment

Reduction in inflation

Strengthening purchasing power

- In FY26, private consumption grew 7.0% in FY 26, achieved a 14-year high with 61.5% of GDP.
- Investment activity indicates a notable growth as Gross Fixed Capital Formation grew by 7.8% in FY26, driven by sustained public capital expenditure and a revival in private investment activity.
- Service sector is leading the Indian's economy growth with service GVA grew by 9.3% in first half of FY26 with a yearly growth rate of 9.1% in FY26.
- India's total exports reached USD 825.3 billion in FY25 and remained strong in FY26 despite of fragile global backdrop marked with trade uncertainty and higher U.S. tariffs.



India's AI Evolution: From Experiments to Real-World Solutions

AI adoption in India is increasingly driven by real-world problem-solving rather than speculative frontier applications.

Smaller, task-specific AI models are being deployed across sectors, enabling broader diffusion of innovation.

Demand for AI solutions is emerging across healthcare, agriculture, urban management, education, disaster preparedness, and public administration.

AI systems designed for local hardware and low-resource settings are improving accessibility and scalability.

Although utilisation remains concentrated in High-Income countries (58.4% of usage in April 2025), Upper and Lower-Middle-Income countries account for 22.5% and 18.7%, respectively.

Lower entry barriers are allowing startups and MSMEs to participate in the AI ecosystem.

The focus is shifting toward applied, inclusive, and cost-efficient AI solutions, supporting sector-wide integration.

For labour-abundant economies, rapid AI adoption may increase output but risk displacing workers faster than the economy can absorb them.

AI adoption reshapes capital labour dynamics, particularly in white-collar services, increasing the likelihood of task-level substitution.

External Sector: Playing The Long Game

- India's share in global merchandise exports rose from 1% (2005) to 1.8% (2024), while services exports share more than doubled from 2% to 4.3%, reflecting long-term export competitiveness.
- Total exports reached a record USD 825.3 billion in FY25, registering 6.1% YoY growth, driven primarily by services exports.
- Services exports hit an all-time high of USD 387.6 billion in FY25, growing 13.6% and contributing nearly 47% of total exports.
- Current Account Deficit remained moderate at 1.3% of GDP in Q2 FY26, supported by strong services exports and remittance inflows.
- India remained the world's largest remittance recipient, with inflows of USD 135.4 billion in FY25, providing a stable buffer to the external account.
- Forex reserves rose to USD 701.4 billion (Jan 2026), covering over 94% of external debt.
- India attracted USD 64.7 billion in gross FDI during Apr–Nov 2025 and ranked 4th globally in Greenfield investment announcements (2024).

Monetary Management And Financial Intermediation

- SCBs remained well-capitalized, with CRAR at 17.2% (Sept 2025), ensuring resilience against potential macro-financial shocks.
- Bank credit growth accelerated to 14.5% YoY in December 2025, up from 11.2% in December 2024, signaling revival in investment and consumption demand.
- Financial sector assets expanded to nearly 187% of GDP (CY 2024), while capital markets grew from 144% of GDP (2017) to 175% (2024).
- PM Jan Dhan Yojana crossed 550.2 million accounts, with 366.3 million in rural and semi-urban areas.
- The Pradhan Mantri Mudra Yojana has disbursed over INR 36,180 billion (~USD 393.26 billion) across 554.5 million loan accounts by October 2025, supporting micro and small enterprises across key sectors.
- Retail participation in capital markets deepened, with 23.5 million demat accounts added exceeding 216 million and 120 million unique investors by Sept 2025.
- Asset quality of SCB reached multi-decadal lows, with GNPA at 2.2% and Net NPA at a record 0.5% (Sept 2025).

Industry's Next Leap: Structural Transformation And Global

- India's ranking on Global Innovation Index rank has risen to 38th in 2025 from 66th in 2019.
- Industrial activity improved in FY26, with Industry GVA growing by 7.0% YOY in real terms in the first half of FY 2025-26, despite ongoing global challenges.
- PLI schemes across 14 sectors have mobilized INR 2 Trillion (~USD 21.74 billion) and created 1.26 million jobs.
- Logistics costs were reduced to 7.97% of GDP in FY24, down from 8.84% in FY23 and 8.79% in FY22.
- Financial flows from non-bank sources to the commercial sector grew at a CAGR of 17.32% from FY20 to FY25.
- Manufacturing growth picked up, with GVA rising 7.72% in Q1 and 9.13% in Q2 of FY26, showing a strong structural recovery.
- The NMM targets a 25% GDP share for manufacturing by 2035, 143 million jobs, and USD 1.2 trillion in exports through focused clusters and reforms.

Investment And Infrastructure: Strengthening Connectivity, Capacity And Competitiveness

- GOI capex rose by from INR 3.07 Trillion (~USD 33.37 billion) in FY19 to INR 11.21 Trillion (~USD 121.85 billion) (in FY26).
- National highways expanded by about 60% to 1,46,572 km by FY26, while high-speed corridors grew nearly ten times to 5,364 km.
- Tele-density reached 86.76%, and 5G services are available in 99.9% of districts nationwide.
- Capex on roads and highways increased 5.8 times, from INR 530 billion (~USD 5.76 Billion) in FY15 to INR 3.06 Trillion (~USD 332.26 Billions) in FY26 (BE).
- The railway network reached 69,439 route km by March 2025, with 3,500 km target in FY26, and 99.1% of routes switched to electric trains by October 2025.
- The GOI invested INR 1.85 trillion (~ USD 20.1 Billion) to electrify 18,374 villages and INR 28.6 million (~USD 310,900) and launched a 3.03 Trillion (~USD 32,934.78 million) scheme to upgrade power distribution.

Services: From Stability To New Frontiers

- India ranks as the world's seventh-largest exporter of services, having 4.3% share in 2024.
- The service sector accounted for 53.6% of GDP in the first half of FY26.
- Services sector share 56.4% of GVA as per FY26 FAE, highlighting the growing dominance of modern, tradable, and digitally delivered services.
- The services sector continues to attract the highest FDI, accounting for an average of 80.2% of total inflows during FY23–FY25, compared to 77.7% in the pre-pandemic period (FY16–FY20).
- Software services account for over 40% of India's services exports, with growth accelerating to 13.5% in FY23–FY25, compared to 4.7% in FY16–FY20, driven by strong global demand for digital services.
- The services sector accounts for ~30% of total employment, significantly higher than manufacturing and construction (11–12% each), and has generated nearly 40 million jobs over the past six years.

Urbanisation: Making India's Cities Work For Its Citizens

- The Namo Bharat RRTS marks a major shift in India's regional urban transport, treating high-speed commuter rail as key economic infrastructure.
- The Namo Bharat RRTS shows how high-speed regional links can transform urban and peri-urban labour markets by cutting travel times.
- The government has undertaken several measures to promote affordable urban housing. Under PMAY–Urban (both phases), 12.21 million houses have been sanctioned, with 9.6 million completed and delivered nationwide as of 24.11.2025.
- The World Bank estimates that by 2036, India's urban population will reach 600 million (about 40% of the total population), up from 31% in 2011, with cities contributing nearly 70% of GDP.

Employment And Skill Development: Getting Skilling Right

- Employment stood at 562 million persons in Q2 FY26, with 0.87 million net job additions over Q1 FY26.
- The ASI FY24 data shows 6% YoY growth in manufacturing employment, adding over 1 million jobs compared to FY23.
- The Labour Codes formally recognise platform workers, extending social security and welfare.
- The e-Shram portal registered 310+ million unorganised workers as of January 2026, with women constituting over 54% of registrants.
- The NCS connects 59 million job seekers with 5.3 million employers, facilitating around 80 million vacancies.
- In FY24, job vacancies recorded a growth of over 200% compared to FY23.
- Scaling low-cost “Buddy” systems cut migrant worker anxiety by 5.3% and raised productivity by 6.4% for new hires.
- Vocational training surged to 34.7% in FY24 from 8.1% in FY18.
- A 12% rise in formal skilling is set to drive over 13% job growth in labour-intensive sectors by FY30.

Education And Health: What Works And What's Next

- India operates one of the world's largest school systems, serving 246.9 million students across 1.47 million schools with 10.1 million teachers in FY25.
- HEIs expanded from 51,534 in FY15 to 70,018 in FY25, with 23 IITs, 21 IIMs, 20 AIIMS, and two international IIT campuses.
- Economic pressures force many 14-18-year-olds out of school, 44% to support household income and 28% for domestic work.
- IMR declined by over 37% in the past decade, falling from 40 to 25 deaths per 1,000 live births between FY13 and FY23.
- 495 State Public Universities now support 81% of India's higher education students, serving as the primary engines for national talent development.
- Strengthened infrastructure and teacher capacity with schemes Poshan Shakti Nirman and Samagra Shiksha Abhiyan. GERs stand at:
 - Primary (Grades I–V): 90.9%
 - Upper-Primary (Grades VI–VIII): 90.3%
 - Secondary (Grades IX–X): 78.7%
 - Higher-Secondary (Grades XI–XII): 58.4%

Inflation: Tamed And Anchored

- Global Headline Inflation declined from a peak of 8.7% in FY22 to 4.2% in FY25.
- India recorded one of the steepest inflation declines among EMDEs, with headline inflation falling by about 1.8% points to 2.8% in FY25.
- RBI and the IMF projects increase in headline inflation within the targeted range of around 4% ($\pm 2\%$) in FY27.
- Retail inflation declined to 1.7% in FY26 from 6.7% in FY23, the lowest average in the current inflation series.
- Global disinflation was aided by softer oil and food prices and tight monetary policy worldwide.
- Favourable agricultural conditions in FY26, including adequate rainfall and strong output, supported food price stability and food security.
- Core inflation remained elevated at around 4.6%, largely driven by prices of precious metals.

Agriculture and Food Management

- Agriculture contributes 1/5th of national income and employs 46.1% of the workforce.
- The sector recorded an average growth of 4.4% at constant price over the last 5 years.
- Livestock GVA increased by 195% during FY15–FY24, while fish production rose by over 140% during FY14–FY25.
- Horticulture, accounting for around 33% of agricultural GVA, reached 362.08 MT in FY24–FY25, exceeding foodgrain production estimated at 357.73 million MT in 2025.
- Price discovery has improved through e-NAM Scheme, with 17.9 million farmers, 27.2 million traders, and 4,698 FPOs onboarded, covering 1522 mandis across 23 States and 4 UTs.
- Farmer incomes are supported through assured MSP for mandated crops.
- Under PM-KISAN, direct income support of over INR 4.90 billion (~USD 44.56 billion) disbursed in 21 instalments to eligible farmers.
- Social security is strengthened through PMKMY, with 2.49 million farmers enrolled till 31 December 2025.

Fiscal Developments: Broadening of Tax Base

- Centre's revenue receipts rose notably from 8.5% of GDP in pre-pandemic period to around 9.2% of GDP in FY25 due to robust tax collections supported with comprehensive tax reforms.
- Income-tax return filings increased from 69 million in FY22 to 92 million in FY25 highlighting the improved compliance and growing numbers of individuals entering in tax system.
- Now, direct tax's share increased from 51.9% in the pre-pandemic period to 55.5% in the post-pandemic period, constitutes 58.8% in the total tax revenue in the FY25.
- On the indirect tax front, GST collections have shown a YOY growth of 6.7% with INR 17.4 Trillion (~USD 189.13 billion) collections in FY26. Increase in taxpayer base to over 15 million and a 21% YOY growth in e-way bill volumes reflecting the deeper formalisation of the economy.
- Central government's capex rose from 2.7% of GDP in the pre-pandemic period to 4% of GDP in FY25.
- India reduced its general government debt-to-GDP ratio by 7.1% since 2020.
- The new Income Tax Act, 2025, which focuses on simplification, structural clarity, and continuity of tax policy, was enacted, and will take effect from the tax year 2026-27.



Nudge-Driven Tax Compliance: A Proactive and Preventive Framework

- The Economic Survey highlights nudge-based interventions as an effective tool to enhance tax compliance and administrative efficiency in India.
- By leveraging large-scale data analytics, NUDGE identifies potential non-compliance and enables taxpayers to voluntarily correct or update filings without audits or litigation.
- The Income Tax Department's NUDGE (Non-intrusive Usage of Data to Guide and Enable) approach influences taxpayer behaviour through timely information, gentle prompts, and data-driven insights, rather than coercive enforcement.
- Overall, NUDGE has improved tax collection efficiency by shifting from post-facto enforcement to preventive, technology-enabled compliance, reducing litigation and compliance costs while boosting voluntary revenue.

Integrated Framework for Transfer Pricing and Customs Valuation

- India's manufacturing-led growth and deeper GVC integration necessitate closer coordination between Transfer Pricing (Income-tax) and Customs Valuation for related-party imports.
- Although TP focuses on preventing over-pricing and customs valuation on under-invoicing, both are based on the arm's length principle and aligned with global standards of the OECD and the World Customs Organization.
- Currently, the same import transactions are examined separately by tax and customs authorities, leading to duplicative compliance, higher costs, and inefficiencies.
- Given conceptual similarities in valuation methods, the Survey highlights scope for a collaborative convergence approach.
- A structured framework with aligned methodologies, converged documentation, and coordinated reviews can reduce disputes, enhance certainty, lower compliance burden, and improve ease of doing business, strengthening India's position as a global manufacturing and investment hub.



Non-Tax Proposal

Non-Tax Proposal

Manufacturing & Strategic Sectors

- Scaling manufacturing in seven strategic/frontier sectors with targeted interventions.
- Biopharma SHAKTI Initiative for upstream capabilities in biologics.
- AI applications in power, steel, cement, refineries, chemicals (USD 2.17 billion over 5 years).

Infrastructure

- Public capex at USD 132.61 billion (up from USD 121.74 billion).
- 20 additional Waterways and Cargo Promotion Programme.
- City Economic Regions in Tier-II/III cities

PIS Liberalisation

- PROIs can invest directly in equity of listed Indian companies under PIS; individual limit increased from 5% to 10% and aggregate PROI limit from 10% to 24%.
- It provides direct access for non-resident individuals, aligning PIS with higher FPI thresholds to reduce compliance hurdles and boost inflows without needing pooled FPI structures.

MSME & Entrepreneurship

- USD 1.09 billion SME Growth Fund for "Champion MSMEs".
- USD 217.39 million top-up to Self-Reliance India Fund for micro-enterprises.
- Accredited "Corporate Mitras" for MSME compliance support in Tier-II/III towns

Agriculture

- Coconut, Cashew & Cocoa promotion schemes.
- Bharat-VISTAAR: AI tool for data-driven farming.
- Krishonnati Yojana allocation at USD 842.17 million.

AKM Global's views in media:



Amit Maheshwari

Tax Partner, AKM Global quoted in taxsutra

PIS Liberalisation for Individual Persons Resident Outside India (PROI)

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Direct Tax Proposal

Income Tax

Personal Tax Proposal

Relief on Motor Accident Compensation Claims

- Earlier Provision:** Tax was required to be withheld on income by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal, where such income exceeded INR 50,000 (~USD 550).
- Proposed Amendment:** It has been proposed that no TDS shall apply to the compensation amount to an individual, and such amount will be exempt from tax.
- Impact:** It provides relief to accident victims by reducing upfront tax deduction and brings clarity.

AKM Global's views in media:



Amit Maheshwari
Tax Partner,
AKM Global quoted
in *taxsutra*

Budget 2026 leaves tax rates unchanged for senior citizens but eases compliance with no TDS on accident compensation interest, simpler “no-TDS” declarations, and more time to revise returns.

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Removal of TAN Requirement: Purchase of Property from Non-Residents

- Earlier Provision:** In accordance of the existing provision, every person deducting or collecting tax is required to obtain a TAN. Accordingly, a resident individual or HUF purchasing immovable property from a non-resident was required to obtain a TAN for withholding tax on such consideration.
- Proposed Amendment:** After 1 October 2026, a resident individual or HUF shall not be required to obtain a TAN for withholding tax on consideration for transfer of immovable property to a non-resident. This amendment will take effect from 1 October 2026.
- Impact:** The proposed amendment reduces compliance requirements for non-resident individuals and eases procedural burden in one-time property transactions.

Rationalization of Obtaining LDC

- The new provision enables the payee to file an application electronically before the income-tax authority for the issuance of an LDC. The LDC may be issued by the authorities upon satisfaction of the specified conditions.
- Impact:** Effective from 1 April 2026, this change provides a simpler, technology-enabled route for genuine low-tax cases, while continuing to safeguard revenue through defined eligibility checks.

Income Tax

Personal Tax Proposal

Enabling Filing of Declaration for No Deduction to a Depository

- Electronic filing of Form 15G / Form 15H through a depository:** Declarations for non-deduction of tax at source can now be furnished electronically to a depository, which will forward the same to the payer, limited to listed securities or units held in a depository.
- Relaxation in reporting timeline:** The time limit for furnishing such declarations has been extended from a monthly to a quarterly basis.
- Impact:** It reduces compliance burden for investors holding multiple securities or units and rationalises reporting requirements.

Application of TDS on Supply of Manpower

- Proposed Amendment:** It has been proposed to include “supply of manpower” within the definition of “work”, thereby clarifying that such payments shall be covered under the TDS provisions applicable to work.
- Impact:** It removes interpretational uncertainty and provides clarity on applicable TDS rates in manpower supply arrangements.

Exemption on Sovereign Gold Bonds (SGB)

- Earlier Provision:** Earlier, capital gains on SGBs at maturity were exempt from tax, but it was unclear whether this benefit applied only to the original subscriber or also to secondary market buyers, non-individuals, or subsequent holders.
- Proposed Amendment:** The amendment now clarifies that the exemption applies only to individuals who subscribe directly to the SGB at the original issue, hold it continuously in their own name, and redeem it on maturity, across all RBI-issued SGB tranches.
- Impact:** This ensures certainty for genuine long-term investors, prevents misuse through secondary market transactions, and aligns with the scheme’s intent to encourage direct retail investment.

Income Tax

Personal Tax Proposal

Extension of Due Dates for certain taxpayers

- Earlier, non-audit business or partner of firms whose accounts are not required to be audited or the spouse of such partner whose income is apportioned were required to file returns by 31 July.
- W.e.f. 1st April, 2026, it is proposed to create a separate category for the above taxpayers by extending their due date from 31 July to 31 August.
- Importantly, this change acknowledges the practical compliance faced by such entities from challenges arising from delayed availability of third-party information and requiring coordination. By providing a more realistic filing window, the amendment reduces inadvertent non-compliance and downstream revisions, eases the compliance burden for small businesses and trusts.

Extension of Period for Filing Revised Return

- Earlier, revised returns were required to be filed within 9 months from the end of the relevant tax year or before completion of assessment.
- It is proposed to extend the time limit for filing a revised return to 12 months, providing additional flexibility to correct omissions or wrong statements.
- The amendment strikes a balance between revenue protection and taxpayer convenience by allowing additional time to correct returns, while prescribing a fee for such revision, thereby encouraging voluntary compliance and reducing avoidable litigation.
- A fee under Section 428(b) is proposed for revised returns filed after 9 months:

Income	Fees (INR)
Income is up to INR 5 lakh (~USD 0.005 million)	1,000
Other cases	5,000

Income Tax

Proposed changes in Tax Collected at Source (TCS) Rates

S. No.	Nature of Receipt / Remittance	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 (coal, lignite, iron ore)	1%	2%
5	Other LRS remittance exceeding INR 1 million (education / medical)	5%- education or medical treatment	2%- education or medical treatment
6	Foreign remittance for overseas tour package	5% up to INR 1 million, 20% above INR 1 million	2%

Income Tax

Corporate Tax Proposal

Data Centre Income Exemption for Foreign Company

- Earlier Provision:** The tax regime offered limited direct income-tax exemptions for foreign companies supporting electronic manufacturing or data center operations in India, and for non-residents engaged under government schemes.
- Proposed Amendment:** A tax holiday up to 31st March 2047 is available to foreign companies on income accruing or arising in India from customers for procurement of data centre services from notified specified data centres in India. Where such services are provided to Indian customers, the tax holiday shall apply only if the foreign company supplies the services through an Indian reseller.
- Impact:** This will help in supporting India's digital ambitions by promoting data localization, and enhanced competitiveness in AI-driven sector.

Taxation on Buyback

- Earlier Provision:** Consideration received by a shareholder on buy-back of shares is treated as dividend income and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is allowed as a separate capital loss, subject to conditions prescribed under the IT Act.
- Proposed Amendment:** Budget 2026 proposes to tax buy back proceeds as capital gain and imposes an additional capital gains tax on promoters in respect of specified securities, at 2% (STCG) and 9.5% (LTCG) for domestic companies, and 10% (STCG) and 17.5% (LTCG) for other promoters.
- Impact:** The amendment specifically targets high-value promoter exits, improves equity in taxation, and increases revenue without disturbing the existing capital gains framework.

AKM Global's views in media:



Amit Maheshwari

Tax Partner, AKM Global quoted in taxsutra

The Finance Minister has now proposed to tax buyback proceeds as capital gains for all shareholders, ensuring that tax applies only to the real gain. To curb misuse through tax arbitrage, an additional buyback tax has been introduced for promoters, resulting in an effective tax rate of about 22% for corporate promoters and 30% for other than corporate promoters. This aligns buybacks with normal share sales for minority and retail interests while safeguarding revenue.

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Income Tax

Corporate Tax Proposal

Expansion of Scope of Updated Return

- Earlier, an updated return could not be filed if it resulted in a return of loss, except where a timely loss return was converted into a return of income.
- Further, updated returns were barred once reassessment proceedings were initiated.
- It has now been proposed to allow filing of an updated return where the taxpayer reduces the loss claimed in a timely filed return and where proceedings of reassessment have been initiated and notice of reassessment has been issued.
- This could enable taxpayers to correct inadvertent overstatements of losses without waiting for reassessment. Henceforth, this change promotes voluntary compliance, is revenue-neutral, and is expected to reduce future disputes,

Additional Tax on Updated Return

- Earlier, filing an updated return attracted additional income-tax of 25% / 50% / 60% / 70% of aggregate tax and interest, depending on whether the return was filed in the 1st, 2nd, 3rd or 4th year from the end of the relevant tax year.
- It is proposed that where an updated return is filed in pursuance of a re-assessment notice, the additional tax payable shall increase by a further 10% of the aggregate tax and interest.
- Besides that, it is further proposed that income declared with such enhanced additional tax shall not form the basis of a penalty.

Employee Contribution to Welfare Funds

- **Earlier Provision:** Employee contributions to funds were deductible only if deposited within the statutory due date under labour laws, and any delay resulted in disallowance, even if paid before filing the return.
- **Proposed Amendment:** It is proposed to allow deduction of employee contributions if the amount is credited to the relevant fund on or before the due date for filing the return of income, instead of the statutory due date under labour laws.
- **Impact:** The change provides practical relief to employers and brings consistency in the tax treatment of employee and employer contributions.

Income Tax

International Financial Services Centre (IFSC)

Extension of Tax Holiday and Concessional Post-Holiday Tax Rate for IFSC Units

- Earlier Provision:** Units in the IFSC and Offshore Banking Units were eligible for a 100% deduction of business income for 10 years within the prescribed overall limit, after which income was taxable at normal corporate tax rates.
- Proposed Amendment:** With effect from 1st April 2026, the deduction period is extended to 20 consecutive tax years, and business income earned after the tax holiday period shall be taxable at a concessional flat rate of 15%.
- Impact:** This move will help strengthen India's position as a globally competitive financial hub, reduce future tax disputes, and ensure that post-holiday income is taxed fairly without sudden spikes

Rationalization of Dividend Exemption on Inter-Group Loans in IFSC

- Earlier Provision:** Loans or advances between IFSC group entities were excluded from deemed dividend taxation, subject to conditions, without clear definitions of "group entity", "parent" or "principal", and without an explicit restriction on the jurisdiction of the counterparty.
- Proposed Amendment:** With effect from 1 April 2026, the deemed dividend exemption is restricted to cases where the counterparty is located in a notified foreign jurisdiction, and eligibility is clarified by defining "parent" and "principal" entities based on voting power or Board control.
- Impact:** The amendment limits the exemption to eligible and regulated group treasury arrangements and provides clarity on the scope of inter-group dividend exemptions.

Relaxation of IFSC Specified Fund Conditions and Extension of OBU Investment Eligibility Timeline

- Earlier:** IFSC specified funds were required to satisfy the 5% limit both by number and value of units, and tax eligibility for offshore banking unit investment divisions was available only if established on or before 31 March 2025.
- Proposed Amendment:** The amendment relaxes IFSC specified fund conditions by limiting the 5% test to the number of units (removing the value test) and extends the eligibility cut-off for offshore banking unit investment divisions from 31 March 2025 to 31 March 2030.

Income Tax

Other Tax Proposal

Penalty on certain income

- Earlier Provision:** A penalty of 10% of the tax payable was levied, in addition to the tax payable, where the income includes unexplained credits, unrecorded investments, undisclosed assets, unexplained expenses, or certain non-standard borrowings.
- Proposed Amendment with effect from 1.4.2026:** It is proposed to amend, to reduce the tax rate from 60% to 30%. Further, it is also proposed to omit the penalty and subsumed this penalty.

Penalty provisions on Crypto Reporting

- Earlier Provision:** It provides a penalty for failure to get accounts audited, being the lower of 0.5% of turnover or gross receipts, or INR 0.15 million (~USD 1,630).
- Proposed Amendment with effect from 1.4.2026:** It is proposed to substitute Section 446, which now deals with penalties for crypto-asset reporting. A person who fails to file a crypto-asset statement on time may be fined INR 200 per day till the such failure continues. Further, INR 50,000 (~USD 543) shall be levied for providing inaccurate information or not following due diligence.
- Further, the penalty for failure to get accounts audited is converted to a fee under proposed Section 428 of the IT Act, 2025.

AKM Global's views in media:



Amit Maheshwari
Tax Partner,
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in *taxsutra*

Finance Bill, 2026 fixes this gap by clearly spelling out penalties. Henceforth, from 1 April 2026, platforms will have to pay INR 200 per day if they fail to submit the required statement, and INR 50,000 penalty if they provide incorrect details and do not correct them.

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Proposed Amendment for STT

- STT has been increased only on derivatives, i.e., options and futures. The revised rate for Futures is 0.05%. Additionally, the revised rate for Option sales and exercise is 0.15%.
- Notably, STT rates on all other securities remain unchanged.
- The market regulator has been repeatedly warning the retail investors against these, and the increased transactional cost will serve as further discouragement for the investors in getting involved.

Income Tax

Other Tax Proposal

Procedural Certainty and Transitional Alignment

- **Earlier Provision:** Under the existing framework, assessments were vulnerable to being challenged or invalidated due to error or omission in quoting the Document Identification Number.
- **Proposed Amendment:** The Finance Bill, 2026 clarifies that assessments shall not be invalid merely due to DIN-related defects.
- **Impact:** These changes reduce technical litigation, ensure continuity of taxation with the Act, 1961, and provide greater certainty to both taxpayers and the tax administration.

Removal of Deductions on Dividend Income

- **Earlier Provision:** Taxpayers were allowed deduction of expenses incurred to earn dividend income; however, in the case of dividend income from specified Mutual Funds or units under the UTI Act, such deduction was restricted to 20% of the dividend income.
- **Proposed Amendment:** It is proposed that no deduction shall be allowed for any expenditure incurred in relation to earning dividend income, thereby removing both the allowance of actual expenses and the earlier 20% cap.
- **Impact:** Effective from April 2026, this amendment clarifies that passive investment income cannot be offset by borrowing costs, aligning the tax treatment with the policy intent of taxing such income on a gross basis and reducing opportunities for tax planning.

Income Tax

Other Tax Proposal

Proposed Graded Punishment under the IT Act, 2025

- **It is proposed to amend penalties under the following Section of the IT Act, 2025:**
 - Section 476 – Failure to deposit TDS / tax on online gaming winnings or virtual digital assets
 - Section 477 – Failure to deposit tax collected with the Government
 - Section 478 – Wilful tax evasion / under-reporting of income or evasion of payment
 - Section 479(1) – Wilful failure to furnish a return of income on time
- **Under the above Section, it is proposed to introduce a uniform graded punishment structure as follows:**
 - Tax exceeds INR 5 million (~USD 54,348): Simple imprisonment up to 2 years or fine or both
 - Tax exceeds INR 1 million (~USD 10,870) but does not exceed INR 5 million (~USD 54,348): Simple imprisonment up to 6 months or fine or both
 - Tax up to INR 1 million (~USD 10,870): Fine only
- **Impact:** These amendments propose similar penalties for the above Sections and reduce harshness for smaller defaults by prescribing fine-only penalties while ensuring stricter consequences for serious offences.

Penalty for failure to file SFT / Reportable Account

- **Earlier Provision:** If the Statement of Financial Transaction (SFT) or reportable account was not filed on time, a penalty of INR 500 per day for delay. Further, if the statement was not filed even after a notice has been issued, the penalty is increased to INR 1,000 per day.
- **Proposed Amendment with effect from 1.4.2026:** If a person fails to file an SFT / reportable account within the time specified in the notice, a penalty of INR 1,000 per day from the day after the due date mentioned in the notice, subject to a maximum cap of INR 100,000 (~USD 1,087).
- Penalties for failure to file the SFT on time have been proposed as a late fee of INR 200 per day, subject to a maximum cap of INR 100,000 (~USD 1,087).

Income Tax

Transfer Pricing Proposals

Safe Harbour Rules Rationalized and Scope Expanded (u/s 92CB of ITA, 1961 /167 of ITA, 2025)

Reduced rates of IT Sector

- Earlier Provision:** Different rates were specified for companies in software development, IT-enabled, contract R&D (software related), and KPO segments ranging from 17% to 24%
- Amended Provision:** All IT and related segments have been merged under single broad segment of 'Information Technology Services' with a uniform 15.5% safe harbour margin.
- Threshold has been increased substantially from Rs 300 crore to Rs 2,000 crore.
- Process shall be automated, without examination by tax officer and tenure shall be 5 consecutive years.
- Definition of Accountant rationalised.
- New insertions:** To promote global business and investment, it is proposed to introduce safe harbour of 15% for data centre services, and a 2% safe harbour for non-residents using bonded warehouses for component storage.
- Impact:** This may transform the tax certainty for global GCCs operating in India as new provisions will enable them to achieve transparency and stability through safe harbour provisions

Advance Pricing Agreement (u/s 92CD of ITA, 1961 /169 of ITA, 2025)

Modified return facility available to AE

- Earlier Provision:** Modified Return can be filed only by person entering into APA, within three months from the end of the month in which the agreement was entered into.
- Amended Provision:** To rationalise the provisions and avoid double taxation, now an associated enterprise may file modified returns under Section 169 of the ITA, 2025 for tax years covered by agreements `` entered into on or after 1 April 2026, to claim refunds of excess taxes paid or withheld.

Fast-Track Unilateral APA

- For IT companies, a fast-track Unilateral APA has been introduced that aims to conclude it within 2 years, extendable by 6 months at the taxpayer's request. Earlier, there was no time limit for conclusion of APA.

Income Tax

Amendments related to Transfer Pricing Assessment

Clarification for due date of passing TPO order under (Section 92CA of the ITA 1961/Section 166 of the ITA, 2025)

- Section 92CA requires the TPO to pass an order at least 60 days before the expiry of the limitation period under sections 153 or 153B of ITA 1961. To clarify how this 60 day period is calculated, a new sub-section (3AA) has been inserted. Under this sub-section, TPO orders can be issued by 30th January if the limitation expires on 31st March in a non-leap year, by 31st January in a leap year and by 1st November if the limitation expires on 31st December. This amendment, effective retrospectively from 1st June 2007, standardizes the timeline for TPO orders and ensures consistent application.
- Further, a corresponding amendment has also been made in section 166(7) of ITA 2025, which now prescribes a clarification on the time limit for passing an order. Such order must now be passed at least one month before the expiry of the month of the limitation period for completing the relevant assessment or reassessment, for instance by 31 January where the assessment limitation ends on 31 March,

Income Tax

Key Amendments under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (“BMA 2015”)

Proposal for introduction of the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

- Voluntary compliance window introduced for eligible small taxpayers (including holdings arising from foreign employment benefits such as ESOPs or RSUs, dormant or low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, and assets held by individuals on overseas deputation) to disclose specified foreign income and assets either not taxed or not reported in the return of income, on payment of tax or fee, with immunity from further tax, penalty and prosecution under BMA,2015.

Monetary Limit

- For “undisclosed assets located outside India” or “undisclosed foreign income”, the Scheme applies where the aggregate value does not exceed INR 1 Crore as on 31st March 2026;
- For foreign assets acquired from disclosed income or during status as a non-resident, that were taxed but not reported, where the value of the asset does not exceed INR 50 million (~USD 543,478) as on 31st March 2026.

Amount Payable

- On (a) above: Tax at 30 percent along with a penalty equal to 100 percent of the tax, resulting in an effective outgo of 60 percent.
- On (b) above: Flat fee of INR 100,000 is payable, subject to the value threshold
- This will encourage voluntary compliance and transparency in foreign asset reporting.

Relaxation of conditions for prosecution under the Black Money Act

- Earlier Provision:** Sections 49 and 50 of the Black Money Act, prescribe prosecution, including rigorous imprisonment and fine, where a resident willfully fails to furnish a return of income or willfully omits to disclose foreign income or assets, irrespective of the value of such asset. It is to be noted that penalty was already removed in previous budgets.
- Proposed Amendment:** Under the new proposal, prosecution under these sections will not be initiated where the total value of such assets (other than immovable property) does not exceed INR 2 million (~USD 21,739).
- The amendment significantly eases the harsh consequences under the Black Money Act by shielding small taxpayers from prosecution and shall take effect retrospectively from the 1st day of October, 2024.

Income Tax

Amendments related to Assessment procedure

Clarification for computing the period of 60 days for passing the order by Transfer Pricing Officer (TPO) under Section 92CA of the ITA 1961/Section 166 of the ITA, 2025

- Section 92CA requires the TPO to pass an order at least 60 days before the expiry of the limitation period under sections 153 or 153B of ITA 1961. To clarify how this 60 day period is calculated, a new sub-section (3AA) has been inserted. Under this sub-section, TPO orders can be issued by 30th January if the limitation expires on 31st March in a non-leap year, by 31st January in a leap year and by 1st November if the limitation expires on 31st December. This amendment, effective retrospectively from 1st June 2007, standardizes the timeline for TPO orders and ensures consistent application.
- Further, a corresponding amendment has also been made in section 166(7) of ITA 2025, which now prescribes a clarification on the time limit for passing an order. Such order must now be passed at least one month before the expiry of the month of the limitation period for completing the relevant assessment or reassessment, for instance by 31 January where the assessment limitation ends on 31 March, and by 31 October where the limitation ends on 31 December.

JAO vs FAO - Clarification on Jurisdiction for Issuance of Reassessment Notices (Sections 148 & 148A)

- A new Section 147A is inserted in the ITA, 1961 with retrospective effect from 1 April 2021.
- This section clarifies that the power to conduct pre-assessment enquiry and issue notices under sections 148A and 148 of ITA 1961 [section 280 and 281 of ITA 2025] for income escaping assessment rests solely with the jurisdictional Assessing Officer and not with the National Faceless Assessment Centre or any assessment unit under section 144B. The clarification applies notwithstanding any court rulings, section 151A, or any faceless assessment scheme.
- However, it may be noted that the assessment order would still be passed by NFAC.
- This amendment will address the judicial divide in the country over the powers of Jurisdictional assessing officer vis-à-vis national faceless assessment unit.
- The same amendment has been implemented in the section 279 of the ITA 2025.

Income Tax

Amendments related to Assessment procedure

Clarifying time-limit for completion of assessment under section 144C of the ITA, 1961 [Section 275 of the ITA, 2025]- Reference to Dispute Resolution Panel (DRP)

- Section 144C prescribes a special assessment procedure for eligible assesseees, including non-residents and cases involving transfer pricing adjustments, requiring the Assessing Officer to first issue a draft assessment order to the assessee.
- Earlier, there was ambiguity on whether the limitation period under sections 153 or 153B of ITA 1961 applied only up to the issuance of the draft assessment order or extended to the completion of the entire assessment, including the final order, in DRP cases.
- There were conflicting judicial views across the taxpayers community leading to deadlock of cases and stack of appeals at various levels.
- To address interpretational disputes and conflicting judicial views on assessment timelines in cases involving transfer pricing issues and non-residents, the Budget clarifies that the limitation period under sections 153/153B applies only up to issuance of the draft assessment order, while the timeline for passing the final assessment order is governed by Section 144C of ITA 1961 [Section 275 OF ITA, 2025].
- These amendments are retrospective, effective from 1 April 2009 (for Section 153) and 1 October 2009 (for Section 153B) providing clarity and consistency in assessment timelines in DRP cases.
- The above clarification has also been correspondingly incorporated through amendments in sections 153 (section 286 of ITA 2025) and 153B of ITA 1961.**

Income Tax

Amendments related to Assessment procedure

Filing the updated return in response of notice of reassessment issued under section 280 of the ITA 2025 [Section 148 of ITA 1961]

- Earlier, Section 263(6)(c)(v) of the ITA 2025 (Return of Income) prohibits filing of an updated return in cases where any proceedings for assessment, reassessment, recomputation or revision of income are pending or have been completed for the tax year in question.
- The Budget proposes to amend the law to permit filing of an updated return in response to a reassessment notice issued under Section 280 of ITA 2025 [148 of ITA 1961], within the specified time. This comes with an additional 10% of tax over and above the applicable tax and interest on account of furnishing of updated return.
- The proposal provides meaningful relief by granting immunity from penalty on the income so disclosed.

Assessments not to be invalid on certain grounds [Insertion of New Section 292BA of IT Act, 1961/ Section 522 of IT Act 2025]

- Section 292BA of ITA, 1961/ Section 522 of ITA, 2025 clarifies that a **tax assessment remains valid** even if there is a **mistake, defect, or omission** in quoting of **computer-generated DIN**, provided the order references the DIN in any manner.
- This retrospective amendment from 1 October 2019 and the corresponding amendment in the ITA, 2025, effective 1 April 2026, ensure consistency and certainty in enforcement under the Act.

Reduction in Pre deposit limit

- Earlier, the 20% pre-deposit requirement forced taxpayers to block substantial funds merely to exercise their statutory right of appeal, causing severe financial hardship and Funds blockage. By reducing the pre-deposit to 10%, the Budget has significantly eased this burden, improved access to appellate remedies and reinforced the Government's commitment to a more taxpayer-friendly litigation framework.

Income Tax

Amendments relating to procedure for Assessment in Search Cases (Block Assessment)

Amendments in time limit for completion of block assessment u/s 296 of ITA, 2025 (Section 158BE of ITA, 1961)

- Earlier Provision:** Under the existing provisions of the section, the time limit for passing an order under section 294 was twelve months from the end of the quarter in which the last authorisation for search was executed or requisition was made.
- Proposed Amendment with effect from 1.4.2026:** As per the amendment, this time limit has now been extended to eighteen months.

Reduction in Block Period in case of undisclosed income of any other person u/s 295 of ITA, 2025 (Section 158BD of ITA, 1961)

- Earlier Provision:** Under the existing provisions, the block period for any third person was same as that of the person in whose case search has been initiated. As a result, even if the undisclosed income related to only one tax year, the other person was required to undergo assessment for the entire block period, leading to higher compliance burden.
- Proposed Amendment with effect from 1.4.2026:** In order to address the same, sub- section (2) of section 295 has been amended so as to insert the following clauses:
 - (c) where the undisclosed income of the other person relates only to the tax year immediately preceding the year of search and the year of search, the block period shall be limited to those periods only;
 - (d) where the undisclosed income relates to only one tax year out of the six tax years preceding the year of search (other than the immediately preceding year), the block period shall be restricted to that single tax year.

This amendment reduces unnecessary compliance by limiting the block assessment period to only the relevant tax year(s).

Income Tax

Amendment related to determination of tax in special cases [CHAPTER XIII of FA 2025]

Rationalisation of tax rate under Section 195 of the ITA 2025 [Section 115BBE of ITA 1961] –Tax on unexplained credits/ income/assets/expenditure referred to in Section 102 to 106 of ITA 2025 [Section 68 to 69D of ITA 1961]

- Section 102 to 106 provides for income on account of, unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc.
- The tax rate on aforesaid incomes has been reduced from 60% to 30% providing relief to taxpayers in high-taxed categories.
- This will bring down the instance of overuse of harsh provisions of section 68 and section 69 of ITA, 1961 by the tax officers.
- However, penalty has been increased under the amended provision to 200 percent for the above-mentioned cases.
- This amendment will take effect from the 1st day of April, 2026.

Amendment related to Alternate Dispute Resolution

Expansion of powers of Dispute Resolution Committee (DRC) for waiver of penalties- Section 245MA ITA, 1961 (Section 379 of ITA, 2025)

- Earlier Provision:** Under the existing provisions of sub- section (2), the powers of DRC were limited only to waive the penalties that were yet to be imposed.
- Proposed Amendment with effect from 1.03.2026:** The DRC has now been given wider powers to waive not only penalties that may be imposed in future, but also penalties that have already been levied, once a taxpayer's dispute is resolved.

This amendment has been introduced as a result of amendments made to sections 274 and 220 of ITA, 1961. Same amendment has been replicated in Section 379 of ITA, 2025.

Income Tax

Rationalisation of Prosecution & Penalties

Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA of ITA 1961 [section 440 of ITA 2025]

- The Budget proposes to expand immunity under Section 270AA of the ITA 1961 by extending relief from penalty and prosecution even to cases where under-reporting of income is in consequence of misreporting, subject to payment of prescribed additional tax.
- Earlier, such immunity was available only for under-reporting cases.
- This amendment provides a clear and time-bound settlement option, reduces litigation and offers greater certainty to taxpayers opting for compliance.

Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Section 274 read with Section 270A of ITA, 1961]

- The Budget has proposed a structural reform to amend 274 of ITA 1961, which provides for procedure of levying penalty. It is proposed to provide that, penalty for under-reporting of income leviable under section 270A shall be integrated in the assessment order.
- This integration of penalty within the assessment order itself, will help in eliminating multiple proceedings, reduce taxpayer compliance burden and ensure consistency in levy of penalties.
- However, adequate opportunities will be provided to taxpayers before levy of penalty at the stage of assessment only.
- Further, interest on disputed tax demand arising on penalty order under Section 220(2) of ITA 1961, is proposed to be charged only after disposal of appeal by the Commissioner (Appeals) or ITAT, as applicable.
- Consequential amendment is also proposed in section 245MA.

Income Tax

Rationalisation of Prosecution & Penalties

Penalty for failure to furnish report under section 92E [Section 271BA of the ITA 1961 (Section 447 of the ITA 2025)]

- **Earlier Provision:** If any person fails to furnish a report from an accountant (Form 3CEB) as required by section 92E of the I.T. Act, 1961 (Section 172 of the ITA, 2025), the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of INR 100,000 (~USD 1,087).
- **Proposed Amendment with effect from 1.4.2026:** Section 447 of the ITA, 2025 is omitted.
- The penalty for fails to furnish report as required by section 92E of the ITA, 1961 (Form 3CEB) is applicable under section 428(4) of the ITA, 2025.
- Under which if any person fails to furnish a report from an accountant as required by section 172 of the ITA, 2025, he shall be liable to pay by way of fee,
 - - i. a sum of INR 50,000 for a delay up to one month for which such failure continues;
 - ii. a sum of INR 100,000 (~USD 1,087) thereafter.

Penalty not to be imposed in certain cases [Section 273B of the ITA 1961 (Section 470 of the ITA 2025)]

- **Earlier Provision:** Section 273B provides that, even though penalties are prescribed under the listed sections of the Act, no penalty will be imposed if the person or the assessee is able to prove that the failure happened due to a reasonable cause.
- **Proposed Amendment with effect from 1.4.2026:** No Immunity for section 447 (non-furnishing of Form 3CEB) of the ITA, 2025 is provided under Section 470 of the ITA, 2025.

Income Tax

Rationalisation of Prosecution & Penalties

Contravention of order made during search action [Section 275A of the I.T. Act, 1961 (Section 473 of the I.T. Act, 2025)]

- Earlier Provision:** Earlier, a person violating certain search-related orders under section 132(1) & 132(3) could be punished with rigorous imprisonment of up to two years along with a fine.
- Proposed Amendment with effect from 1.3.2026:** Any taxpayer who violates any order passed during a search will be punishable with simple imprisonment of up to two years along with a fine.

Failure to afford facility for inspection of books of account during search [Section 275B of the I.T. Act, 1961 (Section 474 of the I.T. Act, 2025)]

- Earlier Provision:** Earlier, if a person failed to allow the authorised officer to inspect books of account or documents as required under section 132, he could be punished with rigorous imprisonment of up to two years along with a fine.
- Proposed Amendment with effect from 1.3.2026:** Any taxpayer failure to provide such access during a search will attract a lighter punishment of simple imprisonment up to six months, or a fine, or both.

Removal, concealment, transfer or delivery of property to prevent tax recovery [Section 276 of the I.T. Act, 1961 (Section 475 of the I.T. Act, 2025)]

- Earlier Provision:** Any person who deliberately removes, conceals, transfers, or disposes of any property, or any interest in such property, with the intention of preventing its recovery during tax recovery proceedings, shall be punishable with "rigorous imprisonment for up to two years and shall also be liable to a fine".
- Proposed Amendment with effect from 1.3.2026:** Anyone who deliberately removes, hides, transfers, or hands over any property (or interest in it) to prevent it from being recovered under tax recovery proceedings shall be punishable with "Simple imprisonment for a term up to two years and with fine"

Income Tax

Rationalisation of Prosecution & Penalties

False statement in verification, etc. [Section 277 of the I.T. Act, 1961 (Section 482 of the I.T. Act, 2025)]

- If a person knowingly makes a false statement in any verification under this Act or the rules, or submits any account or statement that he knows to be false or does not believe to be true, he shall be punishable, -

Earlier Provision

- i. If amount of tax evaded >INR 25 lakhs rupees, rigorous imprisonment for a term 6 months to 7 years and with fine.
- ii. If amount of tax evaded is <INR 25 lakhs rupees, rigorous imprisonment for a term 3 months to 2 years and with fine.

Proposed amendment with effect from 1.3.2026:

- i. If amount of tax evaded is >INR 50 lakhs rupees, simple imprisonment up to 2 years, or with fine, or with both.
- ii. If amount of tax evaded is INR 10 Lakhs to INR 50 lakhs rupees, simple imprisonment up to 6 months, or with fine, or with both.
- iii. If amount of tax evaded is <INR 10 lakhs, with fine only.

This amendment eases the penal framework for tax evasion by increasing the monetary thresholds and reducing the severity and duration of imprisonment.

Falsification of books of account or document, etc. [Section 277A of the I.T. Act, 1961 (Section 483 of the I.T. Act, 2025)]

- **Earlier Provision:** If a person knowingly and intentionally makes, or causes to be made, a false entry or statement in the books of account or documents to help another person evade tax, interest, or penalty under this Act, he shall be punishable with “Rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine”.
- **Proposed Amendment with effect from 1.3.2026:** If a person knowingly and intentionally makes, or causes to be made, a false entry or statement in the books of account or documents to help another person evade tax, interest, or penalty under this Act, he shall be punishable with “Simple imprisonment for a term up to two years and with fine”.

Income Tax

Rationalisation of Prosecution & Penalties

Failure to furnish return of income setting forth undisclosed income [Section 276CCC of IT Act, 1961/Section 480 of IT Act 2025]

- **Earlier Provision:** If a person willfully fails to file their tax return on time after receiving a notice under Section 158BC, the penalty **is imprisonment for a term of 3 months to 3 years** plus fine.

This punishment does not apply if the search-initiated u/s 132 or books of account, other documents or any assets requisitioned under section 132A (which triggered the notice) took place between **July 1, 1995, and January 1, 1997**.

- **Proposed Amendment:**

- A person is punishable if they willfully fail to submit a tax return on time declaring their **undisclosed income for a block period**, after being required to do so by a notice under **Section 294(1)(a)**, he shall be punishable-
 - i. With **simple imprisonment** of up to **2 years**, a fine, or both where the amount of tax exceeds 50 lakh rupees.
 - ii. With **simple imprisonment** of up to **6 months**, a fine, or both where the amount of tax between **₹10 lakh and ₹50 lakh** rupees.
 - iii. In all other cases, the penalty is now limited to **fine only**.

Section 276D of IT Act, 1961 (dealing with Failure to comply with a direction of special audit or valuation) {Section 481 of IT Act 2025}

- **Earlier Provision:** Under the existing law, if a person willfully failed to produce books of account or documents in response to a notice issued under Section 142(1), or failed to comply with a special audit direction under said section, the offence attracted rigorous imprisonment of up to one year along with a fine.
- **Proposed Amendment:** The proposed amendment significantly relaxes the penal provisions under Section 481:

Under the proposed amendment, failure to produce accounts or documents after receiving a notice under Section 268(1) has been completely decriminalized and will no longer result in imprisonment. However, willful non-compliance with a special audit direction under Section 268(5) will continue to attract prosecution, though the punishment has been reduced to simple imprisonment of up to six months, or fine, or both.

Income Tax

Rationalisation of Prosecution & Penalties

Abetment of false returns [Section 278 of IT Act, 1961/Section 484 of the IT Act 2025]

- If a person helps, encourages, or persuades another person to submit a false account, statement, or declaration relating to taxable income or benefits, or to commit a tax evasion offence, he shall be punishable:

Earlier Provision

- i. If amount of tax, penalty or interest evaded >25 lakhs rupees, rigorous imprisonment for a term 6 months to 7 years and with fine.
- ii. If amount of tax, penalty or interest evaded is <25 lakhs rupees, rigorous imprisonment for a term 3 months to 2 years and with fine.

Proposed amendment with effect from 01 March 2026:

- i. If amount of tax, penalty or interest evaded is >50 lakhs rupees, simple imprisonment up to 2 years, or with fine, or with both.
- ii. If amount of tax, penalty or interest evaded is 10 Lakhs to 50 lakhs rupees, simple imprisonment up to 6 months, or with fine, or with both.
- iii. If amount of tax evaded is <10 lakhs, with fine only.

Section 278A of IT Act, 1961 (dealing with Punishment for second and subsequent offences) {Section 485 of IT Act 2025}

- **Earlier Provision:** If any person is convicted second time (or more) for offences under section 276B or 276BB or sub-section (1) of 276C or 276CC or 276DD or 276E or 277 or 288 he shall be punishable with rigorous imprisonment of 6 months to 7 years plus fine.
- **Proposed Amendment with effect from 1.3.2026:** The proposed punishment for offences under Section 485 is reduced to simple imprisonment of 6 months to 3 years plus fine.

This amendment eases the penal framework for tax evasion by increasing the monetary thresholds and reducing the severity and duration of imprisonment.



Indirect Tax Proposal

Customs Act, 1962

Amendment in Section 13 of IGST Act, 2017

- Place of Supply provision for intermediary services have been amended by omitting Clause (b) of section 13(8) of the IGST Act, 2017.
- Intermediary services provided to foreign clients are taxed in India. With this clause removed, the place of supply for such services will be the location of the recipient, allowing such services to qualify as zero rated supply (exports).
- Indian service providers rendering intermediary services to foreign clients can now treat such supplies as exports and avail zero-rated benefits.
- However, since intermediary services are now taxed at the recipient's location, Indian importers will be liable to GST under RCM.

Amendment in Section 15(3) of CGST Act, 2017

- Post sale discounts have also been liberalized by removing the requirement of a pre-existing agreement.
- Taxable value can now be reduced through issuance of a credit note even after supply, provided the recipient reverses proportionate ITC under Section 34 of the CGST Act.
- Post-sale discounts, such as volume rebates, are intrinsic to modern supply chains and actual business practice. By removing rigid conditions relating to prior agreement and invoice-level linkage, the law now reflects commercial practices.
- The amendment bridges the long-standing gap between GST valuation provisions and actual commercial practices.

Amendment in Section 54 of CGST Act, 2017

- The benefit of 90% provisional refund has been extended to inverted duty structure (IDS) cases by amending Section 54(6) of the CGST Act, based on identification and evaluation of the risk parameters by the system.
- This will ensure fair treatment for domestic suppliers and exporters, improve working capital especially for inversion-prone sectors.
- The minimum refund threshold of Rs.1,000 has been removed for exports of goods with payment of tax by amending Section 54 (14) of the CGST Act.
- Exporters dealing in small-value invoices or low-value consignments are expected to get benefitted significantly from these changes.

Customs Act, 1962

Enabling Indian Fishermen Beyond Territorial Waters

- In order to boost fishing activities and enable Indian fishermen to better harness marine resources beyond territorial waters, the Union Budget 2026 has introduced certain amendments to the Customs Act.
- Section 1(2) has been amended to extend the jurisdiction of the Customs Act beyond India's territorial waters for fishing and fishing-related activities carried out by Indian-flagged fishing vessels.
- Section 2 has been amended by inserting a new clause (28A) to define "Indian-flagged fishing vessel" as a vessel used or intended for fishing in the seas and entitled to fly the flag of India.
- A new Section 56A has been inserted to provide special provisions for fishing and fishing-related activities undertaken by Indian-flagged fishing vessels beyond territorial waters. Under Section 56A, fish harvested beyond territorial waters may be brought into India without payment of customs duty and fish landed at a foreign port will be treated as export of goods.
- Earlier, fish caught beyond territorial waters by the Indian flagged fishing vessel was treated as import. The amendment removes this import classification and cuts customs hurdles and costs for fishermen. Indian flagged fishing vessel can now harvest freely in deeper waters. Overall, it improves profitability and use of marine resources.

Customs Act, 1962

Extension of Validity of Advance Rulings

- Amendment to sub-section (2) of Section 28J of the Customs Act, to extend the validity of advance rulings from three years to five years, or till there is a change in law or facts on the basis of which the ruling was pronounced, whichever is earlier.
- In line of the above, proviso to Section 28J(2) has also been amended to allow advance rulings that are in force as on the date of Presidential assent to the Finance Bill, 2026, to be extended, upon application, up to five years from the original date of the ruling.
- This will provide greater certainty, reduce repeat applications, and improve ease of doing business by offering sustained clarity on tax position.

Relaxation in Removal of Warehoused Goods

- Amendment in Section 67 of the Customs Act to allow owner of any warehouse goods to transfer warehoused goods from one warehouse to another without seeking prior permission from the proper officer.
- This will allow goods transfer without prior permission (subject to conditions), enabling faster operations, lower costs, flexible inventory management, and improved supply chain efficiency.

Goods Imported or Exported by Post or Courier

- Amendment in Section 84 of the Customs Act empowers the Board to make regulations regarding the custody of goods imported or exported by post or courier.
- This gives the Board authority to prescribe how such goods are handled, secured, and monitored during the import or export process.

Customs Act, 1962

Ease of Living

- The Baggage Rules, 2026 is introduced w.e.f. 02nd February 2026 in suppression of the Baggage Rules, 2016.
- Dispute resolution option allowing honest taxpayers to close cases by paying an additional amount in lieu of penalties, reducing deterrence from settlement.
- The reform will reduce delays and litigation and facilitates genuine travelers while focusing enforcement on wilful violations, promoting a more citizen-friendly customs system.

Ease of Doing Business

- Single, interconnected digital window for all government agency approvals related to cargo clearance by end of the financial year.
- Duty deferral period for Tier 2 and Tier 3 Authorized Economic Operators (AEOs) increased from 15 days to 30 days.

Special Economic Zone

- A special one-time measure to allow eligible SEZ manufacturing units to sell a prescribed proportion of their exports to the Domestic Tariff Area (DTA) at concessional duty rates.

Customs Act, 1962

Other Changes Proposed In The Customs Notifications

Relief on Import of Drugs/Medicine:

- BCD exempted on 17 cancer saving drugs or medicines.
- 7 additional rare diseases to be designated for exemption from import duties on personal imports of drugs, medicines, and Foods for Special Medical Purposes (FSMP) used in their treatment.

Energy Sector:

- Full BCD exemption on import of sodium antimonate used in manufacture of solar glass.
- Existing BCD exemption on imports of goods required for Nuclear Power Projects will continue till year 2035.
- Extension of BCD exemption on capital goods used for manufacturing Lithium-Ion Cells for batteries.

Marine & Seafood:

- The limit for duty-free imports of specified inputs used in processing seafood exports will be increased from 1% to 3% of the FOB value of the previous year's export turnover.

Customs Act, 1962

Other Changes Proposed In The Customs Notifications

Civil and Defence Aviation:

- Full BCD exemption on components and parts required for the manufacture of civilian training and other aircraft.
- Full BCD exemption on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector.

Dutiable Goods:

- The tariff rate on all dutiable goods imported for personal use reduced from 20 per cent to 10 per cent

Electronic Goods:

- BCD exempted on specified parts used in the manufacture of microwave ovens.

Textiles and Leather Industry:

- The prescribed time limit has been increased for export from six months to twelve months in respect of textile and leather garments, leather/synthetic footwear, and other leather products manufactured using duty-free imported inputs

Central Excise Act, 1944

The amendments will come into force from the 1st day of April, 2026

- Amendment to Seventh Schedule to Finance Bill, 2001 to revise the NCCD Schedule rates from 25% to 60% on chewing tobacco (HS 2403 99 10); jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) w.e.f 01.05.2026. However, the effective rate will be maintained at 25% vide notification.
- Earlier, under Notification No. 05/2023-Central Excise, relief was limited only to exempting excise duty on the GST amount paid on the Biogas/CBG portion of blended CNG, while the value of Biogas/CBG itself remained part of the transaction value and continued to suffer excise duty. From 02.02.2026, this approach has changed: both the value of Biogas/CBG and the GST paid thereon are excluded from the transaction value itself for excise purposes, meaning that central excise duty is now levied only on the fossil CNG component, fully removing excise duty on the Biogas/CBG portion and rendering the earlier notification redundant.
- The implementation of levy of additional excise duty of Rs. 2 per litre on unblended diesel is being deferred till 31.03.2028, by amending notification No. 11/2017-Central Excise dated 30.06.2017 vide notification No. 02/2026-Central Excise dated 01.02.2026.

Customs Tariff Act, 1975

- From 1st May 2026, the concessional or effective Basic Customs Duty presently applied to certain commodities through exemption or concessional duty notifications will instead be incorporated directly into the First Schedule of the Customs Tariff Act, 1975.
- Consequently, the corresponding entries in the relevant exemption notifications will be omitted, as the duty rate will operate statutorily through the Tariff itself. This change is purely a simplification and rationalisation of the customs tariff structure and does not alter the applicable Basic Customs Duty rate on these commodities.
- New tariff lines in the First Schedule of Customs Tariff Act, 1975 has been proposed to introduced to enable more granular product classification and improved identification of goods. The proposed amendments, being structural in nature, are aimed at simplifying and strengthening the customs tariff framework and are proposed to take effect from 1st May 2026, unless otherwise specified.

Customs: Change in Tariff Rates

Sector: Chemicals & Fertilisers

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
2809 20 10	Phosphoric Acid	7.50%	5%	Nil
2815 20 00	Potassium hydroxide	Nil	7.50%	01.05.2026
2834 21 00	Nitrates of potassium	7.50%	Nil	02.02.2026
2910 20 00	Methyloxirane (propylene oxide)	5%	2.50%	01.05.2026
3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%	01.05.2026
3808 93 30	Gibberellic acid	10%	5%	01.05.2026

Sector: Nuclear Power

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
8401 30 00	All goods for generation of nuclear power	7.50%	Nil	02.02.2026
8401 40 00	Control and Protector Absorber Rods and Burnable Absorber Rods, for generation of nuclear power	7.50%	Nil	02.02.2026

Sector: Electronics / Consumer Durables

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
8501 10 20 / 8504 31 00 / 8516 80 00 / 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens (tariff item 8516 50 00)	As applicable	Nil	02.02.2026

Sector: Solar / Renewables

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
2841 90 00	Sodium antimonate for use in manufacture of solar glass	7.50%	Nil	02.02.2026

Customs: Change in Tariff Rates

Sector: Fisheries & Marine / Aquaculture

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0306 36 60	Artemia	5%	Nil	01.05.2026
0511 91 40	Artemia cysts	5%	Nil	01.05.2026
2309 90 31	Prawn and shrimps feed	15%	5%	01.05.2026

Sector: Others

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0207 25 00 / 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%	01.05.2026
2504	Natural graphite	5%	2.50%	01.05.2026
2505	Natural sands of all kinds (other than metal bearing sands of Chapter 26)	5%	Nil	01.05.2026
2506	Quartz (other than natural sands); quartzite...	5%	2.50%	01.05.2026
2918 15 30	Bismuth citrate	7.50%	Nil	01.05.2026
3801	Artificial Graphite; colloidal/semi-colloidal graphite; preparations based on graphite...	7.50%	2.50%	01.05.2026
3904	Polymers of vinyl chloride or other halogenated olefins, in primary forms	10%	7.50%	01.05.2026
0207 25 00 / 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%	01.05.2026

Sector: Agri & Food / Nuts / Seeds

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0802 11 00	Almonds, in shell	Rs. 42 per kg	Rs. 35 per kg	01.05.2026
0802 12 00	Almonds, shelled	Rs. 120 per kg	Rs. 100 per kg	01.05.2026
0802 31 00	Walnuts, in shell	120%	100%	01.05.2026
1209 (excluding 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%	01.05.2026
1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%	01.05.2026
2008 19 21 / 2008 19 22 / 2008 19 29 / 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%	01.05.2026
2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%	01.05.2026



Customs: Change in Tariff Rates

Sector: Critical Metals and Mineral

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
2530 90 91	Strontium sulphate (natural ore)	5%	Nil	01.05.2026
2612 20 00	Monazite	2.50%	Nil	02.02.2026
2804 50 20	Tellurium	5%	Nil	01.05.2026
2804 61 00	Silicon ($\geq 99.99\%$)	5%	Nil	01.05.2026
2804 69 00	Silicon, other	5%	Nil	01.05.2026
2804 90 00	Selenium	5%	Nil	01.05.2026
2805 30 00	Rare-earth metals, scandium and yttrium...	5%	Nil	01.05.2026
2811 22 00	Silicon dioxide	7.50%	2.50%	01.05.2026
2816 40 00	Oxides, hydroxides and peroxides of strontium or barium	7.50%	Nil	01.05.2026
2822 00 10	Cobalt oxides	7.50%	Nil	01.05.2026
2822 00 20	Cobalt hydroxides	7.50%	Nil	01.05.2026
2822 00 30	Commercial cobalt oxides	7.50%	Nil	01.05.2026
2825 20 00	Lithium oxide and hydroxide	7.50%	Nil	01.05.2026
2825 30	Vanadium oxides and hydroxides	7.50%	Nil	01.05.2026
2825 60 10	Germanium oxides	7.50%	Nil	01.05.2026
2825 70	Molybdenum oxides and hydroxides	7.50%	Nil	01.05.2026
2825 80 00	Antimony oxides	7.50%	Nil	01.05.2026
2825 90 20	Cadmium oxide	7.50%	Nil	01.05.2026
2827 35 00	Chlorides of Nickel	7.50%	Nil	01.05.2026
2827 39 30	Strontium chloride	7.50%	Nil	01.05.2026
2833 24 00	Sulphates of Nickel	7.50%	Nil	01.05.2026
2836 91 00	Lithium carbonates	7.50%	Nil	01.05.2026
2836 92 00	Strontium carbonate	7.50%	Nil	01.05.2026

Customs: Change in Tariff Rates

Sector: Energy (Oil, Coal, Gas)

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
2701 / 2702 / 2703	Coal; briquettes; Lignite Peat	5%	2.50%	01.05.2026
2709 00 10	Petroleum crude	5%	Re 1 per ton	01.05.2026

Sector: Consumer Goods

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
4906	Plans and drawings for architectural/engineering/industrial/commercial/topographical purposes...	10%	Nil	01.05.2026

Exemptions extended till 31.03.2028

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
248-Customs dated 2nd August 1976	Exemption to precious stones imported by posts on approval or return basis	31.03.2028	248-Customs dated 2nd August 1976	Exemption to precious stones imported by posts on approval or return basis
32/1997-Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing	31.03.2028	32/1997-Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing
24/2001-Customs dated 1st March 2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts	31.03.2028	24/2001-Customs dated 1st March 2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts
25/2001-Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing	31.03.2028	25/2001-Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing

Customs: Change in Tariff Rates

Sector: Fisheries & Marine / Aquaculture

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0306 36 60	Artemia	5%	Nil	01.05.2026
0511 91 40	Artemia cysts	5%	Nil	01.05.2026
2309 90 31	Prawn and shrimps feed	15%	5%	01.05.2026

Sector: Others

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0207 25 00 / 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%	01.05.2026
2504	Natural graphite	5%	2.50%	01.05.2026
2505	Natural sands of all kinds (other than metal bearing sands of Chapter 26)	5%	Nil	01.05.2026
2506	Quartz (other than natural sands); quartzite...	5%	2.50%	01.05.2026
2918 15 30	Bismuth citrate	7.50%	Nil	01.05.2026
3801	Artificial Graphite; colloidal/semi-colloidal graphite; preparations based on graphite...	7.50%	2.50%	01.05.2026
3904	Polymers of vinyl chloride or other halogenated olefins, in primary forms	10%	7.50%	01.05.2026
0207 25 00 / 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%	01.05.2026

Sector: Agri & Food / Nuts / Seeds

Tariff item	Goods / Particulars	Earlier rate	New rate	Effective from
0802 11 00	Almonds, in shell	Rs. 42 per kg	Rs. 35 per kg	01.05.2026
0802 12 00	Almonds, shelled	Rs. 120 per kg	Rs. 100 per kg	01.05.2026
0802 31 00	Walnuts, in shell	120%	100%	01.05.2026
1209 (excluding 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%	01.05.2026
1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%	01.05.2026
2008 19 21 / 2008 19 22 / 2008 19 29 / 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%	01.05.2026
2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%	01.05.2026

Customs: Change in Tariff Rates (Exemption extended till 31.03.2028)

S. No. in Notif. 45/2025	Goods / Particulars
5	Meat and edible offal of ducks, frozen
14	Planting materials, namely, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses
58	Algal oil for manufacturing of aquatic feed
61	Lactose for use in the manufacture of homeopathic medicine
69	Specified goods used in the processing of sea-food
84	Gold ores and concentrates for use in the manufacture of gold
85	Specified bunker fuels for use in ships or vessels
98	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to 19th July, 2012
99	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to 19th July, 2012
111	Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals
112	Pharmaceutical Reference Standard
114	Specified goods used for the manufacture of ELISA Kits
119	Anthraquinone or 2-Ethyl Anthraquinone, for use in manufacture of Hydrogen Peroxide
134	Specified goods for use in the manufacture of sheets or backsheets, which are used in the manufacture of solar photovoltaic cells or modules [The entry has been modified]
138	Specified goods for use in the manufacture of Brushless Direct Current (BLDC) motors

S. No. in Notif. 45/2025	Goods / Particulars
140	Tags, labels, stickers, belts etc. imported by bona fide exporters
141	Specified goods imported by bona fide exporters for use in the manufacture of handicraft items, for export
142	Specified goods imported by bona fide exporters for use in the manufacture of textile or leather garments, for export
143	Specified goods imported by bona fide exporters for use in the manufacture of leather or synthetic footwear, or other leather products, for export [The entry has been modified]
144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body
146	Capacitor grades polypropylene granules or resins for the manufacture of capacitor grade plastic film
148	Super absorbent polymer (SAP) imported for use in the manufacture of specified goods
150	Polytetramethylene ether glycol (PT MEG) for use in the manufacture of spandex yarn
155	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
156	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
160	Pulp of wood or of other fibrous cellulosic material for the manufacture of newsprint, paper and paperboard, adult diapers, and goods falling under heading 9619
162	All goods imported for use in manufacture of paper, paperboard, or newsprint
163	Specified goods used in the printing of newspapers

Customs: Change in Tariff Rates (Exemption extended till 31.03.2028)

S. No. in Notif. 45/2025	Goods / Particulars
174	Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment
175	Graphite Felt for growing silicon ingots, and thin steel wire used in wire saw for slicing of silicon wafers
184	Simply Sawn Diamonds
185	Seeds for use in manufacturing of rough lab-grown diamonds
205	Ferrous Scrap
208	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO).
209	Specified goods for the manufacture of cold rolled grain-oriented steel
220	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators [The entry is being merged with S.No. 230 in TABLE I of notification No. 45/2025-Customs dated]
222	Copper wire of refined copper or copper rod for manufacture of photovoltaic ribbon for solar photovoltaic cell or modules [The entry has been modified]
227	Dies for drawing metal, when imported after repairs from abroad, in exchange of similar worn-out dies exported out of India for repairs
228	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off- shore oil exploration or exploitation
229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations
230	Goods for manufacture or the maintenance of wind operated electricity generator components. [The entry has been modified after merger of entry S. No. 220 in TABLE I of notification No. 45/2025- Customs]
232	Parts of catalytic converters and goods for use in the manufacture of catalytic convertors or its parts

S. No. in Notif. 45/2025	Goods / Particulars
234	Ceria zirconia compounds for use in the manufacture of wash coat for catalytic converters
235	Cerium compounds for use in the manufacture of wash coat for catalytic converters
237	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display
238	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips
239	Specified goods for the manufacture of certain goods and their parts
246	Bushings made of Platinum and Rhodium alloy when
247	Parts and components for manufacture of tunnel boring machines
256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system
267	Ball screws for use in the manufacture of CNC Lathes
268	Linear Motion Guides for use in the manufacture of CNC Lathes
269	CNC Systems for use in manufacture of CNCL lathes
270	Certain goods for use in manufacture of plastic processing machineries
272	Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/scanner, Iris scanner, miniaturized POS card reader
273	All parts for use in the manufacture of LED lights or fixtures including LED Lamps
274	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps

Customs: Change in Tariff Rates (Exemption extended till 31.03.2028)

S. No. in Notif. 45/2025	Goods / Particulars
277	Goods imported for being tested in specified test centers
280	Specified goods for use in the manufacturing of Microphones
292	(i) Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/ Network Video Recorder (NVR) falling under 8521 90 90, other than the following items, namely (a) populated printed circuit boards; (b) charger or power adapter; (ii) Sub-parts for use in manufacture of items mentioned at (i) above [Only clause (ii) is being continued while clause (i) is being allowed to lapse on the end-date of 31st March, 2026]
293	Parts, components and accessories for use in manufacture of reception apparatus for television
294	Parts, components and accessories for manufacture of CCTV Camera
295	Parts, components and accessories except Lithium- ion cell and PCBA for use in manufacture of Lithium- ion battery and battery pack
296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack
297	Open cell for use in the manufacture of LCD and LED TV panels
302	Specified goods for use in the manufacture of LCD and LED TV panels
306	Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens
314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells
319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV
320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone
321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle
333	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)

S. No. in Notif. 45/2025	Goods / Particulars
334	Raw materials for manufacture of aircrafts and parts of aircrafts
335	Components or parts including engines, of aircraft for manufacture of air craft
336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft
337	Other Aircrafts
338	Components or parts, including engines, of aircraft
339	Satellites and payloads, ground equipment brought for testing and ground installations for satellite including its spares and consumables
340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads
341	All goods under heading 8802 (except CTH 8802 60)
342	All goods under heading 8802 (except CTH 8802 60 00)
343	All goods under heading 8802 (except CTH 8802 60 00)
345	Parts (other than rubber tubes), of aircraft of heading 8802
348	Parts (other than rubber tubes), of aircraft of heading 8802
350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods
355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up
375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve

Customs: Change in Tariff Rates

Exemption extended till 31.03.2028

S. No. in Notif. 45/2025	Goods / Particulars
376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases
377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof
382	Hospital Equipment for use in specified hospitals
386	Raw materials, parts or accessories for the manufacture of Cochlear Implants
387	X-Ray Baggage Inspection Systems and parts thereof
388	Portable X-ray machine / system
392	Parts and cases of braille watches, for the manufacture of Braille watches
396	Parts of electronic toys for manufacture of electronic toys
415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio- gas (Bio-CNG) using non-conventional materials
440	All items of machinery, and auxiliary equipment for
1	Security fibre, security threads, Paper Based Taggant, including M-feature, for use in the manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore
2	Raw materials for use in manufacture of security fibre and security threads for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore for use in manufacture of security paper

Exemption Entries removed w.e.f. 02.02.2026

S. No. in Notif. 45/2025	Goods / Particulars
303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527. The said entry is being omitted w.e.f. 1st May, 2026 as the applicable rates will be incorporated in the Tariff itself.
353	All goods (excluding vessels and other floating structures) as are imported for breaking up (CTH 8901).
356	All goods (excluding vessels and other floating structures) as are imported for breaking up (CTH 8906).

Exemption Entries removed w.e.f. 31.03.2027

S. No. in Notif. 45/2025	Goods / Particulars
192	Gold dore bar, having gold content not exceeding 95%
193	Silver dore bar, having silver content not exceeding 95%
194	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger.
195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger.

Customs: Change in Tariff Rates

Exemptions being allowed to lapse w.e.f. 31.0.2026

S. No. in Notif. 45/2025	Goods / Particulars
93	Naphtha, for use in the manufacture of fertilisers
95	Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in Special Economic Zone (SEZ) and returned by the DTA unit to the SEZ unit from where such LPG were received.
107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules
117	Maltol, for use in the manufacture of deferiprone
145	Specified goods imported for the manufacture of Copper-T contraceptives
154	Ethylene Propylene Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables
172	Hydrophilic non-woven, hydrophobic non-woven, imported for use in the manufacture of adult diapers
201	Spent catalyst or ash containing precious metals
218	Metal parts for use in the manufacture of electrical insulators
219	Pipes and tubes for use in manufacture of boilers
231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators
236	Zeolite for use in the manufacture of wash coat for catalytic converters

Customs: Change in Tariff Rates

Unconditional Exemptions Lapse w.e.f. 02.02.2026

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

Entries Merged in Notif. 45/2025 w.e.f. 02.02.2026

S. No. in Notif. 45/2025	Goods / Particulars
38	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium → inserted as S. No. 110B in TABLE I of Notif. 45/2025
39	Compounds (inorganic/organic) of rare earth metals → inserted as S. No. 111A in TABLE I of Notif. 45/2025
55	Unwrought; waste/scrap; powders of Gallium, Germanium, Indium, Niobium, Vanadium → inserted as S. No. 226A in TABLE I of Notif. 45/2025



Customs: Change in Tariff Rates

New Tariff Lines Have Been Created

Chapter / Heading / Sub-heading / Tariff item mentioned in notification	Commodity	New tariff item being created	Rate of duty
0306 19 00	Krill, frozen	0306 19 10	15%
0802 99 00	Pecan nuts	0802 99 10	30%
0810 40 00	Cranberries, fresh	0810 40 10	10%
0810 40 00	Blueberries, fresh	0810 40 20	10%
0811 90	Cranberries, frozen	0811 90 11 / 0811 90 91	10%
0811 90	Blueberries, frozen	0811 90 12 / 0811 90 92	10%
0813 40 90	Cranberries, dried	0813 40 30	10%
0813 40 90	Blueberries, dried	0813 40 40	10%
1207 99 90	Shea nuts	1207 99 50	15%
2008 93 00	Cranberries, otherwise prepared or preserved	2008 93 10	5%
2008 99	Blueberries, otherwise prepared or preserved	2008 99 15	10%
2106 90	Other than compound alcoholic preparations	2106 90 91	50%
2202 99	Cranberry products	2202 99 21 / 2202 99 31 / 2202 99 91	10%
2529 22 00	Acid grade fluorspar containing >97% calcium fluoride	2529 22 10	2.50%
2615 90	Hafnium ores and concentrates	2615 10 10	Nil
2841	Ammonium metavanadate	2841 90 10	2.50%
29	Triethyl orthoformate	2915 90 96	5%

Chapter / Heading / Sub-heading / Tariff item mentioned in notification	Commodity	New tariff item being created	Rate of duty
29	Diethyl malonate	2917 19 22	5%
29	DL-2 Aminobutanol	2922 10 30	5%
29	Aceto butyrolactone	2932 20 50	5%
29	Artemisinin	2932 99 30	5%
29	Thymidine	2934 99 50	5%
3302 10	Odoriferous substances used in food/drink industry	3302 10 19 / 3302 10 99	10%
4104–4106	Wet blue leather (hides and skin)	4104 11 10 / 4104 19 10 / 4105 10 10 / 4106 21 10 / 4106 31 10 / 4106 91 10	Nil
4702	Rayon grade wood pulp	4702 00 10	2.50%
4823 99 90	All goods other than kites	4823 90 90 (kites under new tariff item)	10%
8101 99 90	Tungsten (wolfram) bars and rods	8101 99 20	5%
8415 90 00	Split-system air conditioner indoor/outdoor units	8415 90 90	10%
8421 99 00	RO membrane element for household water filters	8421 99 90	7.50%
8507 90	Battery separators	8507 90 20	5%
8529 10 99 / 8529 90	Parts for apparatus of headings 8525–8527	8529 10 93 / 8529 90 10	10%
8609 00 00	Refrigerated containers	8609 00 10	5%

Glossary of Terms

Term	Definition / Meaning
ASI	Annual Survey of Industries
CRAR	Capital to Risk-Weighted Assets Ratio
DDUGJY	Deen Dayal Upadhyaya Gram Jyoti Yojana
DIN	Document Identification Number
DPIIT	Department for Promotion of Industry and Internal Trade
EMDEs	Emerging Market and Developing Economies
FAE	First Advance Estimates
FSI	Floor Space Index
FY	Financial Year
GDP	Gross Domestic Product
GNPA	Gross Non-Performing Assets
GST	Goods and Services Tax
GVA	Gross Value Added
HEIs	Higher Education Institutions
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code
IFSC	International Financial Services Centres
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPL	International Poverty Line
IT Act, 1961	Income Tax Act, 1961
IT Act, 2025	Income Tax Act, 2025
LDC	Lower or Nil Deduction Certificate
MACT	Motor Accidents Claims Tribunal
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MSP	Minimum Support Price

Term	Definition / Meaning
MT	Million Tonnes
NCAER	National Council of Applied Economic Research
NCS	National Career Service
NMM	National Mission on Manufacturing
NMR	Neonatal Mortality Rate
NPA	Non-Performing Assets
OBU	Offshore Banking Unit
PMAY-G	Pradhan Mantri Awaas Yojana – Gramin
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMKMY	PM Kisan Maandhan Yojana
PMMY	Pradhan Mantri Mudra Yojana
PPP	Purchasing Power Parity
PPPAC	Public-Private Partnership Appraisal Committee
PSN	Poshan Shakti Nirman
RRTS	Regional Rapid Transit System
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SFT	Statement of Financial Transaction
SAUBHAGYA	Pradhan Mantri Sahaj Bijli Har Ghar Yojana
SCBs	Scheduled Commercial Banks
SHG	Self Help Group
SSA	Samagra Shiksha Abhiyan
SSE	Social Services Expenditure
SVAMITVA	Survey of Villages Abadi & Mapping with Improvised Technology in Village Areas
TAN	Tax Deduction and Collection Account Number
TDS	Tax Deducted at Source

About Us

Headquartered in Delhi-NCR (India), AKM Global is a leading Tax, Advisory, and Regulatory service partner for both domestic and MNCs across industries. With a team of over 700 professionals, AKM Global serves a wide range of clients, from Fortune 500 corporations & closely held businesses to startups and high net-worth individuals.

The company's industry experience spans over 45 years in providing a wide spectrum of cross border transaction services, which include but are not limited to, tax structuring, India-entry strategy, due diligence, foreign exchange controls, corporate law, valuations, transfer pricing, audit support, expatriate tax matters, outsourcing and EOR services etc. This rich exposure has earned us several accreditations.

AKM Global has been consistently recognized as one of India's leading tax and transfer pricing firms by The International Tax Review (2017-2026).

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