

Deloitte.



India Budget 2026
What's in. What's next.

February 2026

Foreword

The Union Budget 2026 arrives at a defining moment for the Indian economy, marked by resilient domestic demand, evolving global headwinds and a renewed emphasis on long-term competitiveness. Against this backdrop, the Union Budget 2026 takes a calibrated approach that balances growth with fiscal prudence. It proposes measures to accelerate manufacturing in seven priority sectors, support MSMEs and strengthen India's leadership in AI and the orange economy.

A central theme running through the Union Budget 2026 is **continuity with purpose**. Rather than pursuing headline-driven changes, the Government has focused on strengthening the foundations of economic expansion by improving policy certainty, easing compliance and fostering a more trust-based regulatory framework. The emphasis on simplification, particularly in income tax administration, customs procedures and dispute resolution, signals a clear intent to lower compliance costs and enhance the ease of doing business.

From a fiscal standpoint, the Union Budget 2026 reiterates the Government's commitment to consolidation, while preserving adequate space for capital expenditure and growth-enabling interventions. Public investment remains a key driver, with tax reforms complementing this strategy by improving compliance and reinforcing revenue buoyancy without imposing undue burden on compliant taxpayers.

On the direct tax front, the Union Budget 2026 advances the transition to a new Income-tax law, aimed at procedural reforms, including extended timelines for return revisions, rationalisation of penalties and further decriminalisation of minor offences, underscoring a shift from enforcement-led administration to proportionate and facilitative regulation. Significant steps have also been taken to streamline TDS and TCS provisions, easing cash-flow pressures and reducing the administrative burden, particularly for individuals and small businesses. At the same time, the Union Budget 2026 recognises the evolving nature of India's economy and its deepening engagement with global markets. Tax proposals supporting the IT and digital services sector, safe harbour rationalisation, faster advance pricing agreements and targeted measures for data centres and global businesses are expected to enhance tax certainty for cross-border operations.

Indirect tax proposals, particularly in the customs domain, further reinforce this reform narrative. The Union Budget 2026 introduces **tariff simplification and procedural standardisation** to reduce compliance friction, accelerate cargo clearance and improve certainty in cross-border trade. Expanded use of technology, risk-based assessments and non-intrusive scanning, along with extended duty period under the Authorised Economic Operator framework, are designed to reward compliant taxpayers and traders while allowing enforcement resources to focus on high-risk areas.

The proposed reforms signal a shift from discretionary, compliance-heavy processes to automated, technology-enabled and trust-based mechanisms.

This paper examines the Union Budget 2026–27 tax proposals in detail, assessing their implications for taxpayers, administration and the broader economy. It seeks to evaluate how these measures contribute to the goals of Viksit Bharat by enabling growth, encouraging frictionless voluntary compliance and ensuring that India's tax system remains robust, equitable, and future-ready.



Gokul Chaudhri
President – Tax,
Deloitte South Asia



**Economic
Indicators**

04



**Direct
Tax**

07



**Indirect
Taxes**

26



**Policy
Updates**

36



**Industry
Impact**

42



Glossary

83

Economic Indicators



ECONOMY INDICATORS



Estimated growth would be between 6.8 percent and 7.2 percent in FY27



The fiscal deficit is expected to fall to 4.3 percent in FY27



The Consumer Price Index softened from 4.6% from April to December FY26



RBI has reduced policy rates cumulatively by 125 basis points in 2025 from 6.5% to 5.25%



India's services trade in FY26 (April-December 2025) saw exports up 8.7% to US\$304 billion

The Current Account Deficit (CAD) eased to US\$15 BILLION (1.3% of GDP) IN H11 FY25



Forex reserves rose to about US\$709.5 billion by 23 January 2026, providing roughly 11 months of import cover



The economy is projected to grow 6.8–7.2 percent in FY27

Growth drivers

The Union Budget marks a clear shift from consumption support to strengthening supply-side capabilities as domestic demand remains resilient. The focus is on boosting competitiveness and productivity to support medium-to-long-term growth. This reflects a deliberate effort to build resilient domestic capabilities amid elevated global uncertainties and to meet the potential international demand that will be unleashed once new FTAs are implemented.

- Focus on seven strategic manufacturing priorities, semiconductors, bio-pharma, rare earths, capital goods, textiles and others, signal a shift towards ecosystem-based competitiveness and a push towards the high-end manufacturing sector.
- Focus on diversified infrastructure such as urbanisation (focusing on tier 2/3 cities), energy (to support the growth of the data centres) and targeted investments in dedicated freight corridors, high-speed rail connectors, national waterways, improvement in ports and logistics-linked manufacturing are expected to lower logistics costs and boost competitiveness.

Fiscal policy

The government estimates the fiscal deficit to be 4.3 percent of GDP in FY27, while it meets the targeted deficit estimates of FY26 of 4.4 percent of GDP. The government now aims to bring down debt to 50 percent of GDP by 2031. This gives global investors a great deal of confidence that it has control over its expenses and is aiming for higher-quality expenditure.

Capital expenditure is estimated to grow by 11.5 percent to INR12.2 trillion in 2026–27; focus on infrastructure, crowd-in private participation through a risk guarantee fund and diversifying spending.

Creating champion MSMEs by ensuring credit availability, equity support, incentivising enterprises and providing professional support, especially for tier 2 and tier 3 towns

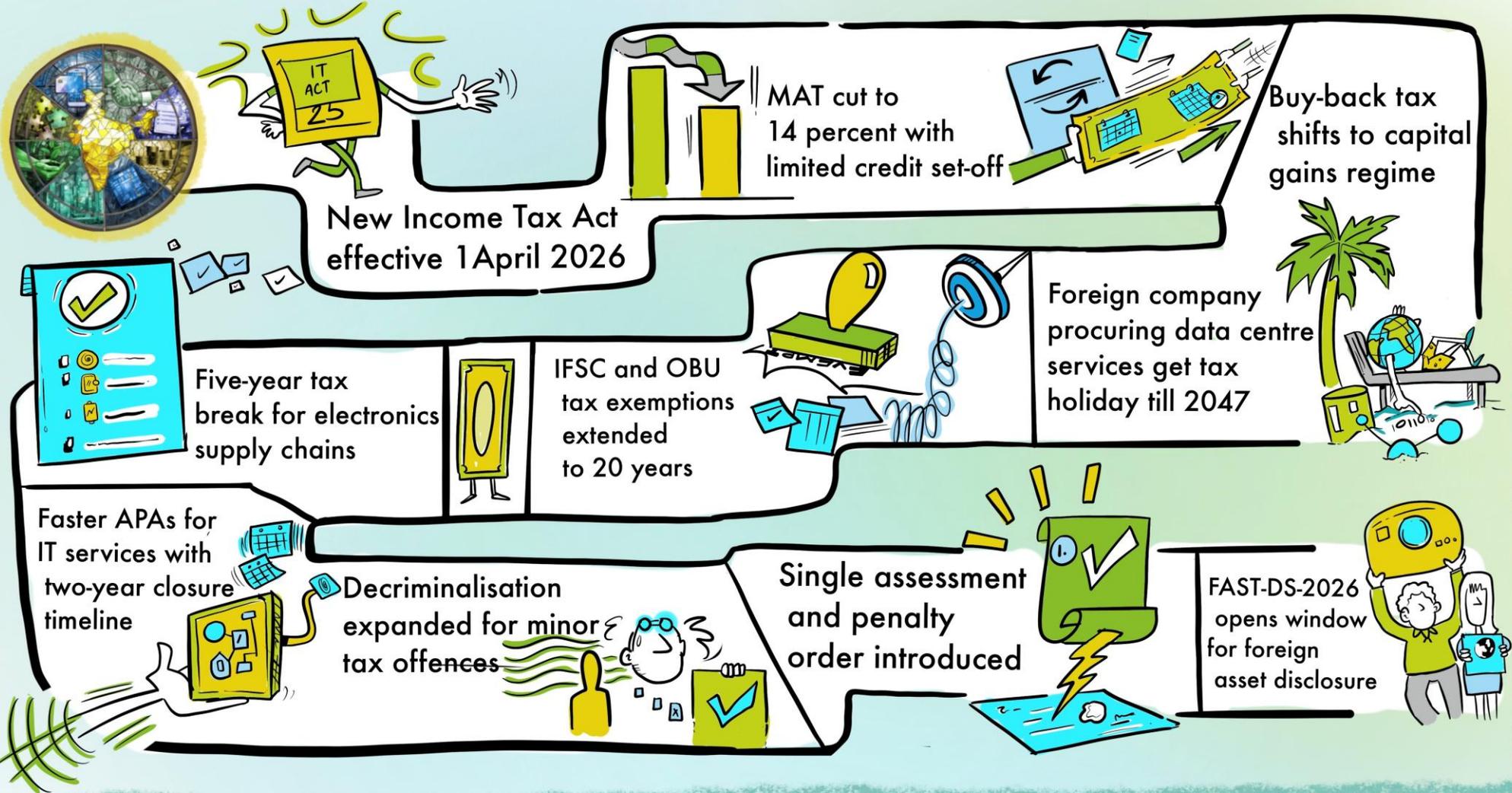
Advancing ease of doing business by simplifying investment norms, reducing compliance and procedural frictions, and modernising customs and trade processes

Building future-ready professional talent and sector ecosystems across healthcare, creative industries and knowledge-led services

Direct Tax



DIRECT TAX HIGHLIGHTS



Direct Tax

- New ITA 2025 to come into force from 1 April 2026; rules and forms will be notified shortly.
- No change in the headline corporate tax rate.
- Proposed amendments once implemented in relation to ITA 2025 would be effective from tax year 2026–27, unless specified otherwise; and in relation to ITA 1961 from the date specified.

New Income Tax Act, 2025,
to come into force from
1 April 2026

Direct Tax

Taxation of buyback of shares

Buyback of shares taxable as capital gains

- Presently, share buyback taxed as dividends on gross basis, with cost of shares being allowed as capital loss.
- From 1 April 2026, share buyback to be taxed as capital gains; material reduction in tax cost in case of long-term capital gains for non-promoter shareholder.
- Promoter shareholder subject to higher tax cost as tabulated under:

Particulars	Promoter (Domestic company)		Promoter (Other than domestic company)	
	LTCG (listed/unlisted)	STCG (listed)	LTCG (listed/unlisted)	STCG (listed)
Capital gains tax rate	12.5%	20.0%	12.5%	20.0%
Additional capital gains tax rate	9.5%	2.0%	17.5%	10.0%
Effective capital gains tax rate	22.0%	22.0%	30.0%	30.0%

- ‘Promoter’ means a “promoter” as defined in the SEBI (Buyback of Securities) Regulations (in case of listed shares), or as defined in the Companies Act/who holds (directly or indirectly) more than 10 percent shareholding in the company (in case of unlisted shares).

Share buybacks to be taxed as capital gains; a higher effective capital gains tax rate applicable to promoters

Direct Tax

Tax Incentive Proposals

Income from the procurement of data centre services

- Tax exemption has been provided up to 31 March 2047 to a foreign company on income accruing or arising or deemed so, in India, by way of procuring data centre services from a specified data centre
- Exemption subject to the following conditions:
 - a) The Central Government notifies such a foreign company
 - b) Foreign company does not own or operate any physical infrastructure or resources of the specified data centre
 - c) All sales by it to users in India are made through an Indian reseller company
 - d) Specified data centre, owned and operated by an Indian company, is set up under an approved scheme and notified by MEITY

Income from the supply of capital equipment to electronic goods contract manufacturers

- Tax exemption to a foreign company on providing capital goods, equipment or tooling to an Indian contract manufacturer for electronic goods manufacturing in India, for a period up to tax year 2030–31
- Exemption subject to the following conditions:
 - a) Ownership of such capital goods, equipment or tooling remains with the foreign company;
 - b) Capital goods, equipment or tooling is under the control and direction of the contract manufacturer;
 - c) Contract manufacturer located in a custom bonded area;
 - d) Contract manufacturer produces electronic goods on behalf of a foreign company for a consideration

Incentivises new investments in data centre/AI infrastructure

Tax certainty for foreign suppliers of electronic goods manufacturing in India

Direct Tax

Tax Incentive Proposals

Tax holiday for IFSC units and OBUs

- Tax deduction period for IFSC units extended from 10 consecutive years (out of 15 years) to 20 consecutive years (out of 25 years).
- Similarly, the tax deduction period for OBUs is proposed to be extended from 10 consecutive years to 20 consecutive years.
- Post tax holiday period, business income to be taxed at 15 percent.
- For units commencing operations on or after 1 April 2026, the deduction will be available only if the unit is not formed by splitting, reconstruction, reorganisation or transfer of an existing business.
- Exclusion from dividend taxation to cases where loans are advanced by the treasury unit in IFSC to group entities located outside India in a notified jurisdiction. The parent entity or principal entity of such group should be listed on the stock exchange in a notified jurisdiction. The group, parent and principal entities are now defined.

Increased competitiveness
of the IFSC regime

Direct Tax

Rationalisation of MAT, tax return compliances

Rationalisation of MAT provisions

- MAT rate reduced to 14 percent (from 15 percent)
- MAT to be treated as final tax; no credit allowed from 1 April 2026
- Accumulated MAT credit grandfathered if taxpayers opt for the concessional tax regime (22 percent or 15 percent). MAT credit capped to 25 percent of the normal tax liability (within 15 years) for each tax year, in such cases
- Foreign companies allowed to utilise accumulated MAT credit
- Exemption from MAT to all non-residents paying tax on a presumptive basis

The scope of filing the updated return expanded

- Updated return can now also be filed in the following instances:

- If the updated return has the effect of reducing the loss claimed in the original return.
- In response to a reassessment notice; an additional 10 percent of the aggregate of tax and interest payable over and above the additional levy applicable in case of filing an updated return.
- No penalty to be imposed on additional taxes

Rationalisation of timelines for the income tax return

- Income-tax return filing timeline extended to 31 August for non-audit and non-TP cases:
 - Taxpayers (having business income); and
 - Partner of a firm and their spouses (in certain cases)
- Timeline for filing revised returns extended from 9 months to 12 months from the end of the tax year, with a fee applicable for revisions made after nine months.

Drive domestic companies to elect for new tax regimes

Ease of compliance burden and strengthening of the voluntary compliance framework

MAT exemption for all foreign taxpayers under the presumptive tax regime

Direct Tax

Key rationalisation measures

Clarifications regarding tax dispute matters

- Clarified that only the jurisdictional Assessing Officer, and not the NaFAC or its assessment units, is empowered to conduct pre-reassessment enquiries and issue reassessment notices.
- No assessment is invalid or deemed to have been invalidated on account of a mistake, defect or omission in quoting DIN, as long as the assessment order contains a DIN reference.
- Statutory limitation period applies to draft order and does not extend to final assessment order post DRP directions.
- Above amendments apply retrospectively from their operative dates as specified in the ITA 1961 Act; and w.e.f. 1 April 2026 under the ITA 2025.

Providing certainty and reducing litigation

Common order for both assessment and penalty

Direct Tax

Rationalisation of penalty and prosecution provisions

Rationalisation of penalty provisions

- Penalty for underreporting of income to form part of the assessment order, and no separate proceeding to be initiated
- No interest payable on 'penalty' liability up to the first appellate outcome
- Definition of 'misreporting of income' expanded to cover unexplained credit, investment, asset or expenditure
- Waiver of penalty and immunity from prosecution expanded to 'misreporting' cases as well, on payment of 100 percent and 120 percent additional income tax (in case of unexplained credit, etc.)

Rationalisation of prosecution provisions

- Decriminalisation of certain compliances (such as non-production of books, TDS on in-kind transfers and in certain cases where tax amounts do not exceed INR1 million)
- Other prosecution provisions shifted from rigorous to simple imprisonment (6 months, 2 to 3 years, in place of 7 years earlier)

Common order for both
assessment and penalty

Direct Tax

Other notable corporate tax proposals

- No deduction for:
 - Commission or remuneration incurred to earn dividend income
 - Interest expense incurred to earn dividends or income from mutual fund units
- Tax rate on unexplained credits, investment, asset, expenditure, etc., proposed to be reduced to 30 percent (from the existing 60 percent).
- Deduction of employee contributions to specified social security schemes is allowable if paid till the due date of filing the tax return. Earlier, it was available only if paid by the due date under the relevant social security law.
- At present, a taxpayer can secure a stay on a demand arising from an order under appeal by depositing 20 percent of the amount payable. The stay can now be availed by paying only 10 percent of the amount of tax.
- Proposed amendments once implemented in relation to ITA 2025 would be effective from tax year 2026–27, unless specified otherwise; and in relation to ITA 1961 from the date specified.

Interest deduction against dividend income completely withdrawn

Direct Tax

Increase in STT Rates

- From 1 April 2026, STT rates proposed to be increased, as under:
 - On sale of option in securities: from 0.1 percent to 0.15 percent of the option premium
 - On sale of option in securities, where the option is exercised: from 0.125 percent to 0.15 percent of the intrinsic value
 - On sale of future in securities: from 0.02 percent to 0.05 percent of the traded price of the 'futures'

Increase in STT rates on
futures and options

Direct Tax

Rationalisation of TCS rates

Particulars	Current rate	Proposed rate
Sale of alcoholic liquor for human consumption	1 percent	2 percent
Sale of tendu leaves	5 percent	2 percent
Sale of scrap	1 percent	2 percent
Sale of minerals, being coal, lignite or iron ore	1 percent	2 percent
Remittance under LRS of an amount or aggregate of the amounts exceeding ten lakh rupees	(a) 5 percent (for education and medical treatment) (b) 20 percent for other cases	2 percent (for education and medical treatment) 20 percent for other cases
Sale of “overseas tour programme package” including expenses for travel, hotel stay, boarding, lodging or any similar or related expenditure	(a) 5 percent of the amount or aggregate of amounts up to ten lakh rupees; (b) 20 percent of the amount or aggregate of amounts exceeding ten lakh rupees.	2 percent (irrespective of threshold limit)

No change in TDS rates

Rationalisation of TCS provisions to 2 percent (except in the case of LRS remittance for other than education or medical treatment)

Direct Tax

Fee for defaults

Particulars	Current	Proposed
Revision of original return (post 31 December) and return not filed by due date	No	INR1,000 (in case total income does not exceed INR500,000) INR5,000 (in other cases)
Failure to get accounts audited and furnish a tax audit report by an accountant	0.5 percent of total sales, turnover, or gross receipts in business, or gross receipts in profession or INR150,000, whichever is less (irrespective of delay)	INR75,000 (for delay up to one month) INR150,000 (for delay exceeding one month)
Failure to furnish a statement of financial transaction/ reportable account	INR500 per day	INR200 per day, max up to INR100,000

Penalties in case of technical defaults converted into mandatory fees to reduce litigation

Direct Tax

Rationalisation of penalty provisions

Particulars	Current	Proposed
Failure to furnish information or inaccurate information on a crypto asset	No provision	INR200 per day for the delay in furnishing INR50,000 for inaccurate reporting and failure to remove such inaccuracy; or failure to comply with due diligence requirements
Failure to furnish SFT (after issuance of notice)	INR1000 per day	INR1,000 per day, subject to a maximum of INR100,000
Failure to furnish information required by tax authorities (in case of a survey)	INR1,000	INR25,000

Maximum limit introduced to rationalise penalty amounts

Direct Tax

Transfer Pricing Safe Harbour proposals

Safe Harbour updates*

- IT services, including software development, ITeS, KPO, and contract R&D services relating to software development, consolidated under a single “Information Technology Services” category:
 - 15.5 percent safe harbour margin proposed
 - Eligibility threshold enhanced to INR20 billion from INR3 billion
 - Rule-based automated approval and valid for five years
- Safe harbour rules extended to data centre services with a 15 percent safe harbour margin apart from a tax holiday up to FY47.
- Benefit extended to non-residents for electronic component warehousing in a bonded warehouse at a profit margin of two percent of invoice value.
- Proposed to fast-track unilateral APAs for IT services to conclude within two years, with an option to extend by six months at the taxpayers’ request.

*Detailed rules to be notified separately

Predictable tax regime to promote India as global GCC hub

Direct Tax

Other Transfer Pricing proposals

Advance Pricing Agreement (APA)

- Facility of modified returns proposed to be made available to AEs to claim the refund of additional/withholding taxes
- Effective for APA concluded on or after 1 April 2026 in respect of TY 26–27 onwards

Other Key Updates

- Specific due dates have been proposed to remove the ambiguity in the determination of the due date for the issuance of transfer pricing order.
- Penalty for not furnishing the transfer pricing audit report is proposed to be replaced with a fee, set at INR50,000 for delays up to one month and INR1,00,000 for delays beyond one month.

Boosting investor sentiments through improvised APA framework

Direct Tax

Personal taxation

Tax rates and income slabs

There is no change in the personal tax rates and income slabs under both the regular and simplified tax regimes

Exemption in respect of interest under the MVA on compensation awarded by the MACT to an individual

Interest under the MVA on compensation awarded by the MACT to an individual/their heirs is proposed to be exempted from tax from 01 April 2026. Such interest will also not be subject to withholding tax

No change in personal tax rates and income slabs under both regimes

Direct Tax

Foreign assets disclosure

FAST-DS-2026

The proposed FAST-DS-2026 provides taxpayers with an opportunity to declare foreign assets and foreign-sourced income that was not reported earlier in the ITR

- The scheme would apply to such assets or income that have escaped assessment or to taxpayers who:
 - Have not filed an ITR
 - Have failed to disclose such assets or income in the ITR
- Taxpayers would need to pay the total tax and penalty of 60 percent on the value of undisclosed foreign assets as on 31 March 2026 and the amount of undisclosed foreign income (subject to the aggregate value of the undisclosed foreign assets and income not exceeding INR10 million).
- However, if such assets were acquired from income accruing outside India when the taxpayer was a non-resident or out of income taxed in India, only a fee of INR0.1 million is payable instead of any tax and penalty (subject to the value of the undisclosed foreign assets not exceeding INR50 million)
- The scheme grants immunity from penalty and prosecution under the BMA
- The scheme would be valid for a period of six months (as indicated in the budget speech)

No prosecution for non-disclosure of movable foreign assets up to INR2 million

Since 1 October 2024, there is no penalty under the BMA for non-disclosure of movable foreign assets up to INR2 million in the ITR or for not filing an ITR in such a case. It is now proposed to also do away with prosecution for such defaults retrospectively, with effect from 1 October 2024

Remediation scheme for disclosure of undisclosed foreign assets and income (subject to certain limits)

Total tax and penalty of 60 percent payable on undisclosed assets and income; nominal fee of INR0.1 million for mere non-disclosure of assets

No prosecution for non-disclosure of movable foreign assets up to INR 2 million

Direct Tax

Personal taxation

Exemption to foreign-sourced income of individuals visiting India for rendering services in connection with a notified scheme

It is proposed that the foreign-sourced income of an individual visiting India for rendering services in connection with a notified scheme will be exempt from tax in India for a period of five consecutive tax years, starting with the tax year in which the individual first visited India for such purpose. As a precondition, such an individual is required to be a non-resident for five consecutive tax years prior to the tax year in which they first visited India for such purpose

Filing of a declaration by investors with a depository for NIL withholding on income from mutual fund units, interest on listed securities and dividend income on listed shares

It is proposed that investors earning income from mutual fund units, interest on listed securities and dividend income on listed shares will be able to file a declaration with a depository for NIL withholding on these incomes. The depository, in turn, shall provide such declaration to the person responsible for paying such income (i.e., the mutual fund or the issuer company). This amendment is proposed to be effective from 01 April 2027

Exemption to foreign-sourced income of individuals visiting India for rendering services in connection with a notified scheme

Filing of declaration with a Depository by investors for NIL withholding on specified incomes on securities

Indirect Taxes



INDIRECT TAX HIGHLIGHTS



GST on intermediary services shifts to recipient-based taxation



Post-supply discounts simplified with GST credit notes



90 percent provisional refunds enabled for inverted duty cases



One-time concessional duty window for SEZ to DTA supplies



Faster clearance for food, pharma, plant and animal products from April 2026



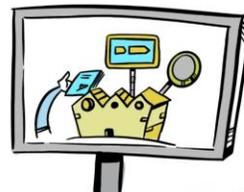
Single digital window for customs clearances by FY27



Appellate framework for advance rulings until NAAAR is operational



Customs Integrated System to unify end-to-end processes



Warehousing framework transformed with operator-centric systems

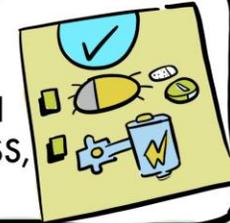


Courier and E-commerce export facilitation by removing export caps



Customs advance rulings validity extended to 5 years

AEO duty deferral extended to 30 days
Customs exemptions for specified: cancer drugs, capital goods for use in manufacture of lithium-ion cells for BESS, and parts for aircraft manufacturing



Indirect Tax

GST Proposals

Intermediary services made recipient-based

- Specific supplier-based place of supply provision for intermediary services is proposed to be omitted, thereby the place of supply would be determined based on the recipient's location.
- It reduces uncertainty and tax costs by allowing Indian intermediaries to qualify for export benefits.
- This change will significantly boost competitiveness for sectors such as IT, BPO and consulting.
- Date of effect: ***From the date of enactment of the Finance Bill, 2026***

Post-supply discounts to be provided through credit notes

- Requirement of establishing post-supply discount in terms of agreement entered before/at the time of supply and its linking to specific invoices is proposed to be omitted. The value of supply is to be reduced by post-supply discounts provided through the issuance of a credit note by the supplier and corresponding input tax credit reversal by the recipient.
- Such positive change restores commercial flexibility for businesses who can now offer year-end discounts, performance-based incentives and volume/turnover rebates.
- Simplified tax treatment of such incentives makes it easier for businesses to operate with flexibility and transparency.
- Date of effect: ***Yet to be notified***

Place of supply for intermediary services made recipient-based

Requirement of linking post-sale discount with pre-existing agreement and relevant invoices eliminated

Indirect Tax

GST Proposals

Provisional refund extended to IDS cases

- Provisional refund of 90 percent restricted to zero-rated supplies is proposed to be extended to refunds arising out of IDS.
- This will have a major impact/improvement in cash flow, especially for sectors such as pharma, FMCG, textiles, etc.
- Date of effect: **Yet to be notified**

Interim arrangement till NAAAR is constituted

- Pending the constitution of NAAAR, the Government may empower any existing authority, including a tribunal, for hearing appeals related to conflicting AAAR rulings by two or more states.
- This will result in expeditious disposal of such cases, reduce backlog and provide faster relief to taxpayers.
- Date of effect: **01 April 2026**

Provisional refund of 90 percent now extended to refunds arising out of IDS

Empowering any existing authority for hearing matters with respect to conflicting AAAR rulings

Indirect Tax

Central excise and SEZ-related proposals

NCCD rates increased on tobacco products

- NCCD rates on chewing tobacco, jarda scented tobacco and other tobacco products (including gutkha) have been revised from 25 to 60 percent, without altering the effective duty incidence of 25 percent.
- Date of Effect: **01 May 2026**

Central excise duty exemption with respect to biogas/CBG in blended CNG

- The value of biogas/CBG and the GST paid thereon contained in blended CNG is to be excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.
- Date of effect: **02 February 2026**

Deferment of the date of implementation of a higher excise duty on the sale of unblended diesel

- The levy of additional excise duty of INR2 per litre on unblended diesel is deferred till 31 March 2028.

SEZ

- A special one-time measure is proposed to facilitate sales, in a prescribed proportion of exports, by eligible manufacturing units in SEZs to DTA at concessional rates of duty.
- The said proposal is to address the concerns arising about the utilisation of capacities by manufacturing units in the SEZ due to global trade disruptions.
- Date of effect: **Necessary regulatory changes being worked out**

Exemption from central excise duty on value of biogas/CBG contained in blended CNG

Deferment of date of implementation of higher excise duty on the sale of unblended diesel

Concessional duty rates for sales by SEZ units to DTA proposed to address capacity utilisation issues

Indirect Tax

Customs updates

Strengthening the authorised economic operator ecosystem

- Duty deferral period has been doubled for tier 2 and tier 3 AEOs from 15 days to 30 days.
- Duty-deferment facility has been extended to eligible manufacturers-importers until 31 March 2028. This will encourage such importers to enrol on the AEO programme.

Change in the warehousing framework

- Section 67 of the Customs Act, 1962, to remove the need to get prior approval from a customs officer before transferring goods from one bonded warehouse to another.
- This would transform customs warehousing into a warehouse-operator-centric system, shifting away from officer-dependent approvals.

Single window and digital trade facilitation

- A fully interconnected single window for participating government agencies' approvals will be rolled out by the end of FY27.
- Processes involved in clearance of food, drug, plant, animal and wildlife clearances (~70 percent of the indicted cargo) will be operationalised on the system by April 2026 itself.
- Customs integrated system to be rolled out in two years as a single, integrated and scalable platform for customs processes.

Working-capital flexibility reduces financial pressure at the time of clearance and aligns with monthly accounting cycles.

End-to-end digitisation, faster inter-agency processing, fewer physical touchpoints and increased transparency.

Removal of administrative friction and faster processing for bonded warehouse operations.

Indirect Tax

Customs updates

Cargo clearance and risk management reforms

- Auto goods registration and auto out of charge are introduced for optimisation and contactless processing, making the import process efficient.
- The said facility would be provided to AEO tier 2 and tier 3 entities, approved eligible manufacturer importers, importers having a longstanding supply chain, and importers availing the facility of direct port delivery, where there is no compliance requirement.
- System-based examination application to be introduced on ICEGATE for e-scheduling of physical examination of imported goods.
- Expanded use of non-intrusive inspection technologies (AI-enabled scanners) to scan containers at major ports in phases.
- End-to-end automated clearance from factory premises to the ship is to be granted for exports with e-sealed cargo.

Courier, e-commerce and baggage facilitation

- Value cap on courier exports (INR1 million per consignment) is proposed to be removed, significantly benefiting MSMEs, artisans and e-commerce exporters by enabling faster, simpler and more efficient access to global markets.
- Reform in clearance of returned/rejected consignments in e-commerce export is proposed.
- New baggage rules are introduced to enhance duty-free allowances and bring them in line with present-day travel realities.

Miscellaneous

- Validity of advance rulings extended from three years to five years, providing longer certainty to importers.

Improved anonymity, digital monitoring, supervision, access control and faster movement of goods.

Removing the value cap on courier exports will streamline export processes for e-commerce and MSMEs.

Greater certainty for importers and exporters over a longer horizon and reduce compliance burden.

Indirect Tax

Customs updates

Description of goods	Up to 1 February	From 2 February
Renewable energy		
Specified capital goods for manufacture of lithium-ion cells for BESS	As applicable	Nil
Sodium antimonate for use in manufacture of solar glass	7.5 percent	Nil
Aviation		
Components/parts, including engines of aircraft for manufacture of aircraft or parts thereof	As applicable	Nil
Defense sector		
Raw materials for the manufacture of parts of aircraft for maintenance, repair or overhauling of aircraft or components or parts thereof imported by PSU under the Ministry of Defence	As applicable	Nil
Drugs and medicines		
17 specified drugs/medicines	As applicable	Nil
Drugs and medicines used for treatment of specified seven rare diseases when imported for personal use	As applicable	Nil

Key reduction in duty rates

Indirect Tax

Customs updates

Description of goods	Up to 1 February	From 2 February
Electronics		
AC motor, transformers, electric heating resistors and other specified goods for use in the manufacture of microwave ovens	As applicable	Nil
Nuclear energy		
Specified goods for the generation of nuclear power, including control and protector, absorber rods and burnable absorbable rods	7.5 percent	Nil
Goods for setting up specified nuclear power projects registered before 30 September 2035 in the Project Import Regulations, 1986	As applicable	Nil
Critical minerals		
Monazite	2.5 percent	Nil

Key reduction in duty rates

Indirect Tax

Customs updates

Particulars

Key changes

Entries to be discontinued w.e.f. 31.03.2026

Twenty-two entries spanning sectors such as medical devices, electronics and electrical equipment have been allowed to lapse.

BCD

Notification No. 45/2025 – CT dated 24.10.2025

Extension of entries until 31.03.2028

One hundred two major concessional-duty benefits extended across agriculture, metals, renewables, electronics, healthcare, textiles, aviation, energy, machinery and gems.

Revision in BCD exemptions

Policy Updates



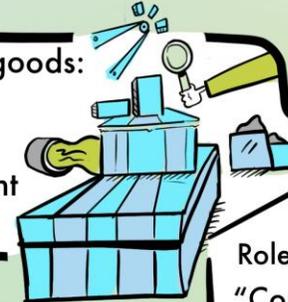
POLICY HIGHLIGHTS



Boosting India manufacturing through Biopharma SHAKTI; India Semiconductor Mission 2.0 with full-stack Indian intellectual property equipment
Dedicated infrastructure for rare earth corridors in four states



Strengthening capital goods: Scheme to strengthen construction and infrastructure equipment and containers



Role of TReDS enhanced "Corporate Mitras" announced for MSMEs in tier II/III industrial clusters

Limit on investment by person resident outside India enhanced from 5 percent to 10 percent and overall from 10 percent to 24 percent



Announcements on new freight corridors, 20 national waterways, coastal cargo scheme, ship repair ecosystem, seaplane funding scheme and seven high-speed rail corridors



High-powered standing committee announced on 'Education to Employment and Enterprise'



AVGC labs to be set up in colleges

Creating Industrial Strategy 2.0

City economic regions

- About INR50 billion allocated, through challenge mode, to build CERs with a focus on tier II/III cities and temple towns.
- Seven high-speed rail corridors to be created as growth connectors between cities.

Biopharma SHAKTI

- Biopharma SHAKTI, with an outlay of INR 100 billion, aims to position India as a global biopharma manufacturing hub by establishing three new NIPERs, upgrading the seven existing NIPERs and creating a network of 1,000+ accredited clinical trial sites across India.
- A dedicated scientific review cadre will be created to strengthen CDSCO to meet global standards and approval timelines.

Carbon Capture, Utilisation and Storage (CCUS)

- A scheme has been announced to adopt CCUS technologies and to raise readiness levels for end-use applications across five industrial sectors.

Semiconductors and electronic components

- ISM 2.0 launched to drive India's semiconductor leap by enabling equipment and material manufacturing, full-stack Indian IP design, resilient supply chains and industry-led R&D and skilling.
- The budget outlay increased on ECMS from INR229.19 billion to INR400 billion

Rare earth corridors

- Dedicated rare earth corridors to be established in mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing.

Chemical parks and capital goods

- Three dedicated chemical parks to be established on a cluster-based plug-and-play model to enhance chemical production and reduce import dependency.
- Two hi-tech tool rooms to be set up for manufacturing high-precision components.
- Scheme announced for the enhancement of construction and infrastructure equipment, as well as container manufacturing.

Championing small and medium enterprises

Equity support

- A dedicated SME growth fund has been announced to create future jobs, incentivising enterprises based on select criteria.
- The Self-Reliant India Fund topped up with INR20 billion to provide additional equity support to MSMEs.

Liquidity support

- Mandating of TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs will serve as a benchmark for other corporates.
- A credit guarantee support mechanism to be established through CGTMSE for invoice discounting on the TReDS platform.
- Linking GeM with TReDS for sharing information with financiers about government purchases from MSMEs will encourage cheaper and quicker financing.
- TReDS receivables to be introduced as asset-backed securities, helping develop a secondary market, enhancing liquidity and settlement of transactions.

Professional support

- Professional institutions to develop a cadre of ‘Corporate Mitras’ for helping MSMEs in tier II and III cities to meet compliance requirements at affordable costs.

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

“Recognising MSMEs as a vital engine of growth..... a three-pronged approach to help them grow as ‘Champions’

Rationalising financial sector reforms

High-level committee on banking for Viksit Bharat

- To assess the banking system and recommend reforms, a high-level banking reforms committee will be set up.

Reforms in foreign exchange management

- A comprehensive review of the Foreign Exchange Management (Non-Debt Instruments) Rules to create a contemporary and user-friendly framework.
- Allow individual PROIs to invest in equity instruments of listed Indian companies under the Portfolio Investment Scheme, while enhancing the investment limits by raising the per investor cap from 5 percent to 10 percent and increasing the aggregate cap for all individual PROIs from 10 percent to 24 percent.

Bond market

- An incentive of INR1 billion is proposed for the single issuance of municipal bonds of more than INR10 billion.
- A market-making framework and total return swaps for corporate bonds are to be introduced.

Public sector NBFC restructuring

- Set clear credit and technology targets and initiate PFC and REC restructuring to improve public sector NBFC efficiency.

“The Indian banking sector today is characterised by strong balance sheets, historic highs in profitability, improved asset quality and coverage exceeding 98 percent of villages in the country.

At this juncture, we are well placed to futuristically evaluate the measures needed to continue the path of reform-led growth of this sector.”

Catalysing services-driven employment growth

High-powered “Education to Employment and Enterprise” standing committee

- To recommend measures to position services as a core driver of Viksit Bharat
- Identify priority service sub-sectors to drive growth, jobs and exports, and assess the impact of emerging technologies, including AI, on skills and employment

Building a skilled workforce for Viksit Bharat

- Upgrade and establish new institutions for AHPs in ten selected disciplines
- Develop NSQF-aligned programmes to train 0.15 million caregivers in areas of wellness, yoga, and operation of medical/assistive devices
- Promote the establishment of five medical value tourism hubs by states, in collaboration with the private sector, via new schemes
- Set up three new All India Institutes of Ayurveda
- Set up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges
- Set up a new National Institute of Design through the challenge route in the eastern region
- Launch a new Khelo India Mission with integrated talent development, coaching excellence, sports science and infrastructure support
- Establish a National Institute of Hospitality, linking academia, industry and the Government
- Launch of a pilot scheme for upskilling 10,000 guides in 20 iconic tourists’ sites

“...renewed emphasis on the Services Sector to provide a pathway to fulfilling aspirations of a youthful India.”

“Yuva-Shakti driven budget”

“Our second Kartavya is to fulfil aspirations of our people and build their capacity, making them strong collaborators in India’s path to prosperity.”

Industry Impact



Agriculture

Inclusive growth and farmer-centric reforms

Union Budget 2026 outlines the third Kartavya towards Viksit Bharat, focusing on inclusive development through higher farmer incomes, empowerment of Divyangjan and vulnerable groups, and accelerated growth in Purvodaya and North-Eastern states. Key measures include:

- **Animal husbandry:** Support rural and peri-urban job creation through entrepreneurship, with loan-linked capital subsidies for private veterinary and para-vet colleges, vet hospitals, diagnostics and breeding facilities.
- **Fisheries:** Integrated development of 500 reservoirs and amrit sarovars, along with stronger coastal fisheries value chains and market linkages for start-ups, women-led groups and Fish Farmer Producer Organisations (FFPOs).
- **Dedicated programmes for coconut, cashew, cocoa, sandalwood and nuts:** Rejuvenate old, low-yielding orchards and expand high-density cultivation.
- **Launch of Bharat-VISTAAR:** An AI-enabled platform to enhance farm productivity and decision-making.

AI-enabled platform Bharat-VISTAAR to boost farm productivity and markets

Kartavya 3 fuels inclusive rural growth

Automotive

Policy updates for strengthening the automotive growth ecosystem

- **India Semiconductor Mission (ISM) 2.0** to build domestic capabilities in semiconductor equipment, full-stack Indian IP and secure an indigenous supply chain for automotive electronics.
- **Electronics Components Manufacturing Scheme:** Increase in budgetary outlay from INR229 billion to INR400 billion to support capacity expansion for automotive electronics.
- **Rare Earth Permanent Magnets (REPMs):** Dedicated state corridors to boost domestic mining and manufacturing of REPMs.

Existing concessional import duty rates extended until 31 March 2028 for parts for manufacturing LED lights; lithium-ion battery for EVs/hybrid vehicles and their parts.

Motor Accident Claims Tribunal (MACT)

- Interest on compensation awarded by MACT shall not be treated as income for individual recipients. Furthermore, no tax is to be deducted at the source for such interest payments.

Support for semiconductors, electronics and REPMs to promote domestic manufacturing and establish a self-reliant automotive supply chain

GST compliance relaxation in post-supply discounts to entail review of dealer discounts and marketing schemes in line with amended provisions

Zero rating of intermediary services under GST to provide flexibility in supply chain arrangements and R&D activities

Consumer Products and Retail

Dedicated initiative for the manufacturing of affordable sports goods

- India to be positioned as a global hub for high-quality, affordable sports goods.
- Budget allocation of INR5,000 million towards the “promotion of sports goods manufacturing”.
- A long-term push to transform the sports ecosystem through the launch of the Khelo India Mission, emphasizing structured talent development, infrastructure expansion and sports innovation.

Major push to the employment-intensive textile sector through integrated programmes, mega parks and export facilitation

- **Integrated programme for the textile sector:** Budget allocation of INR15,000 million towards the Integrated Textile Programme aimed at achieving self-reliance across the fibre spectrum, modernisation of textile clusters through technological and machinery upgradation and establishment of common testing and certification centres, targeted support to the handloom and handicraft sector, strong push towards sustainable manufacturing and upgraded skilling under Samarth 2.0 to boost competitiveness.

- **Mega textile parks and technical textiles:** The Budget 2026 announces mega textile parks in challenge mode to create integrated, large-scale infrastructure and boost value addition and technical textiles across key industrial sectors.
- **Mahatma Gandhi Gram Swaraj Initiative:** The initiative will strengthen khadi, handloom and handicrafts through market linkages, branding, skilling and modernisation, benefiting weavers, rural youth and ‘One District One Product’ clusters.
- **Export promotion measures for textiles and allied sectors:** Extending the export obligation period from 6 months to 12 months, easing compliance and improving working capital flexibility for textile, leather and marine exporters.
- **Liquidity support for textile MSMEs through TReDS:** The Budget strengthens liquidity for textile MSMEs by mandating TReDS use by CPSEs, providing credit guarantees, linking GeM with TReDS and enabling securitisation of receivables to improve access to timely and affordable finance.
- **Creation of “Champion SMEs” and supporting micro enterprises:** INR100,000 million SME Growth Fund introduced to nurture and incentivise high-potential enterprises as future champions.

Consumer Products and Retail

Working capital optimisation measures

- **Fast-track refunds under GST:** A system-driven approach to grant 90 percent GST Input Tax Credit refunds provisionally for the inverted tax structure to improve cash liquidity.
- GST legislative measures, such as recipient-based place of supply for intermediary services (making them exports), and simplified GST credit notes for post-supply discounts, to pave the way to create working capital efficiency and ease of compliance for business operations.
- **Authorised Economic Operator (AEO) programme:** Customs duty deferral period enhanced from 15 days to 30 days for tier 2 and 3 AEOs.

Other significant updates

- The rationalisation of customs duties on certain imported components for white goods and appliances to reduce manufacturing costs and potentially lower retail prices, boosting demand for products such as air conditioners and LED lights.

India IT centres of automotive companies to examine safe harbour rules and unilateral APAs to achieve transfer pricing certainty and avoid litigation

Tax exemption for foreign companies procuring data centre services from India until the tax year ending 31 March 2027

Targeted measures in production, exports and consumer durables to boost domestic manufacturing and consumption

Education, Skilling and Social sector

Policy updates

Establishment of university townships/education hubs

- Five university townships/education hubs near major industrial and logistics corridors
- Integrated facilities for universities, research centres and residential facilities (focus on women's hostels)
- Five regional medical hubs in collaboration with the private sector, integrating medical services, education and research facilities

Creative sciences

- Support for the Indian Institute of Creative Technologies, Mumbai
- Establish AVGC content labs in 15,000 secondary schools

New facilities:

- Three new National Institutes of Pharmaceutical Education and Research; upgrading seven existing ones
- Network of 1,000 accredited clinical trial sites across the country
- Three new All India Institute of Medical Sciences
- Institutes for Ayurveda
- Second National Institute of Mental Health and Neuro Sciences
- National Institute for Design in north-east India

“Yuva-Shakti driven budget”

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

Education, Skilling and Social sector

Policy updates

Skilling

- Sector-specific: MSMEs in textiles (Samarth 2.0), material sciences for sports goods, etc
- Region-specific: Near industrial clusters
- Specific health focus: Focus on training one lakh AHPs and 1.5 lakh multiskilled caregivers over the next five years

Education to employment committee

- Set up a standing committee to link education outcomes directly with jobs and enterprise, focusing on the services sector

AI

- Allocation of INR5 billion for a Centre of Excellence focused on AI for education, aiming to enhance skills and personalise learning

“...renewed emphasis on the services sector to provide a pathway to fulfilling aspirations of a youthful India”

Education, Skilling and Social sector

Attracting global investment and rationalisation for the education sector

Extension of the period of deduction for the IFSC

- IBCs and OECs set up by foreign universities in IFSC (as an IFSC unit) currently enjoy a tax holiday for 10 consecutive years out of 15 years.
- It is proposed to increase the said period of deduction to 20 consecutive years out of 25 years for all units in IFSC, including IBCs and OECs.
- It is also proposed that the business income of these IFSC units after the expiry of the period of deduction will be taxed at a rate of 15 percent.

Reduced the TCS rate for remittances outside India for education purposes

- It is proposed to reduce the TCS rate from five to two percent for remittances under the Liberalised Remittance Scheme in excess of INR1 million for the purpose of education.

“...renewed emphasis on the services sector to provide a pathway to fulfilling aspirations of a youthful India”

Education, Skilling and Social sector

Clarifications/amendments for NPOs to align with the erstwhile ITA 1961

Commercial activity by NPOs carrying out advancement of the object of General Public Utility (GPU)

- Commercial activity undertaken by GPU NPOs will not constitute a “specified violation,” leading to cancellation of registrations.

Clarification on restructuring of NPOs

- Currently, tax on accreted income is payable when a registered NPO merges with any other entity (i.e., other than a registered NPO having the same or similar objects). It is now clarified that when any registered NPO merges with any other registered NPO, such tax on accreted income shall not apply if:
 - The other registered NPO has the same or similar objects
 - The said merger fulfils such conditions as may be prescribed (likely to be prescribed shortly)

Belated returns permissible for NPOs

- Registered NPOs will be permitted to furnish belated returns within prescribed timelines, i.e., within nine months from the end of the relevant tax year or before the completion of the assessment, whichever is earlier.

Registration is not required for government relief funds

- Government relief funds, such as the PM CARES Fund and Clean Ganga Fund, are excluded from the list of persons/entities required to register for income tax exemption available to NPOs.

Clarifications/amendments for NPOs to align with the erstwhile ITA 1961

Commercial activity undertaken by GPU NPOs will not result in cancellation of the registration.

Education, Skilling and Social sector

Indirect tax proposals for education sector

Omission of the place of supply for intermediary services

- Currently, marketing and educational consultancy services provided by Indian entities to foreign entities are considered intermediary services, thereby Goods and Services Tax (GST) is levied on them at 18 percent.
- It is proposed that the place of supply for “intermediary services” will be determined based on the default provision, i.e., location of the service recipient.
- Intermediary services will be considered exports, with a consequential benefit of refund of accumulated input tax credit/tax paid.

Withdrawal of BCD exemption on import of CDs

- BCD exemption on import of CD-ROMs containing books of educational nature, journals, periodicals (magazines) or newspapers has been removed. Import of said goods will now attract BCD at the rate of 10 percent.

Energy, Resources and Industry

Policy updates

Rare Earth Corridors

Dedicated rare earth corridors to be established in mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing for high-tech industries.

Carbon Capture, Utilisation and Storage

A scheme to adopt CCUS technologies has been announced to achieve higher readiness levels in end-use applications across five industrial sectors.

High-speed rail corridors

About seven high-speed rail corridors to be developed as “growth connectors”, linking major cities to support economic agglomeration, supplier ecosystems and long-term regional productivity, with relevance for industrial and logistics planning.

To secure critical inputs essential for electronics, semiconductors, defence, EV and renewable industries, enhancing domestic supply chains and reducing import dependence

To enable emissions reduction in hard-to-abate industries and support the sustainability commitments of large manufacturing facilities.

i) Mumbai-Pune, ii) Pune-Hyderabad, iii) Hyderabad-Bengaluru, iv) Hyderabad-Chennai, v) Chennai-Bengaluru, vi) Delhi-Varanasi, vii) Varanasi-Siliguri

Energy, Resources and Industry

Policy updates

ECMS expansion

Increased outlay under the ECMS to INR40,000 crore to accelerate domestic production of electronics components and deepen value-chain integration.

Container manufacturing and inland logistics support

Promotional push for **container manufacturing** schemes and expansion of inland waterways as part of broader logistics enhancement.

High-speed rail and multi-modal connectivity

Development of multiple **high-speed rail corridors** and expansion of national waterways.

To support local manufacturing of key electronics parts, attract investment and reduce import reliance in the electronics ecosystem.

To reduce logistics cost and complexity for the movement of heavy equipment and components used in energy transition and electronics manufacturing.

To improve connectivity for industrial clusters and ports, facilitating faster movement of inputs/outputs for energy and semiconductor industries.

Energy, Resources and Industry

Direct tax proposals

- **Income-tax exemption for electronics manufacturing in India:** To boost electronics manufacturing in India, **foreign companies supplying capital goods, equipment or tooling** to Indian contract manufacturers operating in **customs bonded areas** will get a **tax exemption on such income up to 2030–31**.
- **Incentives for critical minerals:** The list of minerals has been increased to include critical minerals (beryllium-bearing minerals, glauconite, graphite, lithium-bearing minerals, potash, and minerals containing indium, niobium, tantalum and rhenium), allowing **deferred tax deduction** for prospecting and exploration expenditure (over 10 years from commencement of commercial production).
- **Liberalised TCS:** Sale of minerals (coal, lignite, iron ore). TCS increased from 1 percent to 2 percent.

Will this exemption override PE exposure in case of business income earned or outside India, as well as on the sale of goods?

How does this impact MAT/book profit versus regular tax on entities claiming the old regime or in the new regime?

If exploration is unsuccessful, what happens to accumulated deferred expenditure?

Energy, Resources and Industry

Indirect tax proposal

Exemption from customs duty

- BCD exemption on raw materials imported by the **Ministry of Defence** PSUs for the manufacture of aircraft parts for maintenance, repair or overhauling of aircraft/components (including engines), subject to IGCRS Rules, 2022 and submission of an end-use certificate from a Joint Secretary or above in the Ministry of Defence, effective from 2 February 2026.
- Exemption expanded to cover goods for specified **Nuclear Power Projects** irrespective of capacity, with certification by the Joint Secretary (Department of Atomic Energy). Validity and contract eligibility extended up to 30 September 2035, effective 2 February 2026.

Financial Services

Policy announcements

- **High-Level Committee on Banking for Viksit Bharat:** The Government has proposed to set up a **High-level Committee on Banking for Viksit Bharat** to review the sector and align it with India's next growth phase, while safeguarding the financial stability, inclusion and consumer protection.
- **NBFCs for Viksit Bharat:** The Government has outlined the vision for NBFCs with clear targets for credit disbursement and technology adoption. To achieve scale and improve efficiency in the public sector NBFCs, as a first step, the Government has proposed **restructuring the Power Finance Corporation and the Rural Electrification Corporation**.
- **Attract more foreign investment:** The Government has proposed to undertake the following measures to attract more foreign investment:
 - A **comprehensive review of the Foreign Exchange Management (Non-debt Instrument) Rules** to create a more contemporary, user-friendly framework for foreign investment into India, which is consistent with India's evolving economic priorities.
 - **Individual Personal Resident Outside India (PROI)** will be permitted to invest in equity instruments of listed Indian companies through the **Portfolio Investment Scheme**. The Government proposes to increase (i) the individual investment limit for an Individual PROI from 5 percent to 10 percent, and (ii) the overall investment limit for all individual PROIs from 10 percent to 24 percent.
- **Deepen India's Corporate Bond Market:** The Government has proposed to **introduce a market-making framework** with suitable access to funds and derivatives on corporate bond indices. Additionally, it proposes introducing **TRS on corporate bonds**.
- **Incentivise larger issuances of municipal bonds:** The Government has proposed to encourage **large cities to issue municipal bonds of higher value** by providing an incentive of INR1 billion for a single bond issuance that exceeds INR10 billion. This incentive will be in addition to the existing incentives available under the prevailing AMRUT scheme, which incentivises smaller and medium towns to come up with issuances of up to INR2 billion.

Financial Services

Policy announcements

- **Promote private infrastructure development:** The Government proposes to **establish an Infrastructure Risk Guarantee Fund** to provide prudently calibrated partial credit guarantees to lenders of such infrastructure projects. This will help strengthen the confidence of private developers regarding risks emanating during the infrastructure development and construction phase.
- **Setting up dedicated REITs:** Recognising REITs as a successful instrument for asset monetisation, the Government proposes to accelerate **recycling of significant real estate assets owned by CPSEs** through the setting up of dedicated REITs.

Financial Services

Tax proposals related to the GIFT-IFSC

The tenure of the 100 percent income-tax deduction benefit has been doubled from 10 years to 20 years for existing and new units looking to set up in GIFT-IFSC

- To increase the competitiveness of GIFT-IFSC, the Government has proposed the following measures:
 - Existing and new OBUs will enjoy the aforesaid income tax deduction benefits for a period of 20 consecutive years starting from the relevant tax year.
 - Other existing and new units will enjoy the aforesaid income tax deduction benefits for a period of 20 consecutive years out of a block of 25 years starting from the relevant tax year, at the option of the taxpayer.
 - OBUs and business units commencing operations on or after 1 April 2026 in GIFT-IFSC will also need to comply with the SAAR, which requires that the OBU/business unit is not formed by the splitting-up, reconstruction, reorganisation or transfer of a business already in existence in India.

Reduction of the income tax rate to 15 percent after expiry of the aforesaid 20 years' tenure

- GIFT-IFSC units will enjoy a concessional tax rate of 15 percent (vis-à-vis the existing tax rates of 22 percent for units incorporated as a company in India, and 35 percent for units operating as branches of foreign companies) post expiry of the aforesaid 20 years' tenure.

A welcome move that will encourage more businesses to set up a presence in GIFT-IFSC by providing long-term income tax deduction benefits and offering a competitive concessional tax rate regime.

Financial Services

Tax proposals related to the GIFT-IFSC

Treasury centres: The Government proposes to rationalise the deemed dividend provisions applicable to treasury centres in GIFT-IFSC, by bringing about the following amendments to the tax law (from 1 April 2026):

- Modifying the existing provisions to clarify that the broad exemption that was granted from applicability of the deemed dividend provisions to any advance or loan between two group entities, where one group entity is a treasury centre in GIFT-IFSC, will now apply only to those advances or loans between two group entities, where (i) one group entity is a treasury centre in GIFT-IFSC, and (ii) the other entity is a group entity that is located in a country or territory outside India, which shall be notified by the Central Government.
- Clarifying the definition of the term “group entity” and aligning the definition to that provided in the IFSC regulations.
- Clarifying the definition of the term “parent entity” and “principal entity” in relation to the other group entity, and providing that the “parent entity” or “principal entity” shall:
 - be listed on a stock exchange in a country or territory outside India, which shall be notified by the Central Government; and
 - control (directly or indirectly) more than 50 percent of the total voting power of the other group entity, or control the composition of the Board of Directors of the other group entity.

Amendment in definition of “Specified Fund” located in GIFT-IFSC (from 1 April 2026):

- To provide clarity, it is proposed to amend the definition of “specified fund”, eligible to claim prescribed income tax exemptions, as follows:
 - The sunset clause for the investment division of an OBU to commence operations in GIFT-IFSC so as to qualify as a “specified fund” has been correctly referenced to 31 March 2030 (instead of 31 March 2025) in line with the amendment made in the ITA 1961, by virtue of FA 2025.
 - In the event of a change in the residential status of the unit holder or holders (from non-resident to resident), the fund shall continue to qualify as a “specified fund” as long as the number of units held by such resident unit holder or holders does not exceed 5 percent of the total units of the Fund. The previous requirement was to test whether the aggregate value and the number of units held by such resident unit holder or holders did not exceed 5 percent of the Fund’s total units.

Financial Services

Tax proposals related to private equity

Buyback of shares is now taxed as capital gains instead of dividends

- Under the present regime, dividend characterisation for tax purposes enabled Offshore SPVs to argue a reduced treaty rate applicable to dividends, which effectively lowered the ETR compared with a 12.5 percent capital gains tax. Under the proposed regime, considering buybacks are not treated as dividends, this will impact the distribution ETRs as under:
 - Grandfathered shares under the treaties/treaty countries where CGT is exempt – will benefit from the capital gains treatment to avail a Nil tax position
 - Non-treaty protected shares – Given additional taxes applicable over and above the capital gains tax rate, the proposed change is expected to increase the ETRs for cash extraction via the buyback mechanism.

Interest expenditure not allowed as a deduction against dividend income

- The proposed change eliminates the avenue for claiming interest deduction (although capped at 20 percent) against dividend income. Consequently, this is expected to affect debt pushdown structures, leading to an increased ETR on cash extractions.

MAT regime changes provide impetus for Indian corporates to move towards the new corporate tax rate

- While a cost-benefit analysis is required to be made, underwriting an Indian corporate tax rate of 22 percent is expected to be a standard modelling assumption

Budget 2026's focus on tax stability, certainty and simplification sends a strong signal to boost capital deployment confidence.

Cash-extraction ETRs impacted by the proposed buyback tax regime and interest-deductibility rules.

Measures rolled out to reduce prolonged litigation, alongside a policy shift to a 10 percent appeal-deposit requirement (instead of 20 percent)

Financial Services

Tax proposals related to real estate industry

Attract investment in data centres

- To attract investment in data centres and promote AI data centre framework in India, it is proposed to extend a tax holiday benefit (for a period up to 31 March 2047) to a notified foreign company on any income by way of procuring data centre services from a specified data centre, owned and operated by an Indian company, subject to prescribed conditions.

Ease in purchase of immovable property

- To reduce compliance burden, it is proposed to provide relaxation to resident individual or HUF buyers from obtaining TAN to comply with the Indian withholding tax obligations on purchase of immovable property from a non-resident seller. The aforesaid relaxation is in line with the current relaxation available to buyers (resident and non-resident) on the purchase of immovable property from a resident seller. This amendment will take effect from 1 October 2026.

Compensation received on compulsory acquisition of land

- To align the provisions of the ITA 2025, with the RFCTLARR, a specific tax exemption is proposed to be introduced to exempt any individuals or HUFs from any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after 1 April 2026, under the RFCTLARR (other than the award or agreement made under section 46 of said Act). The amendment is in line with CBDT Circular No. 36/2016 on this subject and shall apply from 1 April 2026.

A 20-year tax holiday to foreign companies to avail data centre services from India to boost the set-up of data centres in India.

Relaxations, corrections and alignment proposed in the tax law to promote real estate transactions.

Financial Services

Other tax proposals

Increase in Securities Transaction Tax (STT) Rates (from 1 April 2026)

- STT on the sale of an option in securities is proposed to be increased from 0.1 percent to 0.15 percent of the option premium.
- STT on the sale of an option (where the option is exercised) is proposed to be increased from 0.125 percent to 0.15 percent of the intrinsic price.
- STT on the sale of a future in securities is proposed to be increased from 0.02 percent to 0.05 percent of the traded price.

Inclusion of the definition of commodity derivatives 2025 (from 1 April 2026)

- The definition of ‘commodity derivative’ (for the purpose of defining specified derivative transaction) which existed under the ITA 1961, but was omitted from the new ITA 2025, is now proposed to be reinstated in the same form as in the ITA 1961.

Exemption for SGB: The Government proposes to rationalise the taxation treatment for SGB issuances and align the provisions with its intended scope, by bringing about the following amendments to the tax law (from 1 April 2026):

- Extending the capital gains tax exemption that was granted to SGBs that were issued under the initial SGB Scheme of 2015, to also SGBs that have been issued under any subsequent SGB scheme.
- Allowing the capital gains tax exemption to the original individual investors in the scheme who held the bonds until maturity.

Interest expenses are not allowed to be claimed as a tax deduction against dividend income and distribution income (from 1 April 2026)

- The Government proposes to tax dividend income and distribution income from Indian mutual funds on a gross basis, by taking away the tax deduction that is currently granted to taxpayers for interest expenses incurred by them to earn such income, to the extent of 20 percent of the gross dividend/distribution income received.

Financial Services

Other tax proposals

Enabling filing of declaration for no deduction to a depository (from 1 April 2027)

- Investors earning certain streams of income (dividends, interest on securities, income from units, etc.) on which tax is not to be deducted are required to file a written declaration for no deduction of tax with the person responsible for paying the income.
- Investors earning such incomes from multiple entities faced a cumbersome process to submit such declarations.
- The Government proposes to alternatively allow furnishing of a single declaration to the depository, which in turn shall provide such declarations to the person paying such income.
- Additionally, the time limit for furnishing such a declaration by the payer of such income to the income-tax authorities is proposed to be extended from monthly to quarterly.
- This is only applicable for investors who hold securities in a depository and such securities are listed on a recognised stock exchange in India.

Tax parity for non-life insurance business

- The Government proposes to rationalise the provisions of the tax law relating to taxation of Insurance Companies, from 1 April 2026, to allow non-life insurance businesses to claim a tax deduction for expenses incurred on which TDS was initially not deducted/paid, but deducted/paid in a subsequent year. The aforesaid tax deduction is now proposed to be allowed in the year of payment of the TDS and aligns with the normal provisions of the tax law that apply to other taxpayers.

The term ‘Intermediary’ is dismantled for the purposes of GST legislation (date to be notified)

- Under the current provision, intermediary services fail to qualify as exports due to non-fulfilment of the place of supply condition. The proxy relating to “Intermediary Services” has been deleted, and post such amendment, the place of supply for “intermediary services” will be determined based on the recipient’s location. The proposed change reduces uncertainty, compliance burden and tax costs, making Indian service providers more competitive in global markets.

Global Capability Centre

India transfer pricing – Safe Harbour and APA

Safe Harbour Regime — Landmark reforms

- **Threshold increased**
Eligibility threshold increased from ~US\$33 million for each service type to ~US\$220 million in aggregate per entity.
- **Single unified safe harbour margin**
Software development, IT-enabled Services (ITeS), Knowledge Process Outsourcing (KPO), and contract software R&D services are proposed to be grouped into a single IT services category. A common safe harbour margin of 15.5 percent is proposed to be applied to such IT services (previously multiple margins).
- **Automated, rule-based approval**
Safe harbour opt-in decisions will follow an automated rule-based process (no need for manual examination by tax officers).

- **Multi-year continuity**
A taxpayer can retain the safe harbour regime for up to five consecutive years once opted in.
- **Safe harbour support extended to cloud/data centre services**
Safe harbour margin of 15 percent for cloud/data-centre services provided by related entities through Indian data centres.

Advance Pricing Agreements (APAs)

- **Faster APA timelines**
The proposal aims to conclude unilateral APA for IT services within two years (potentially extendable by six months).

	Erstwhile position	New position
Eligibility threshold	~US\$11 million to US\$33 million	Increased to ~US\$220 million
Safe Harbour margins		
• Software development	17percent/18 percent	common safe harbour margin of 15.5 percent
• ITeS	17 percent/18 percent	
• KPO	18–24 percent	
• Contract software R&D	24 percent	

Global Capability Centre

Direct tax impact

TDS provision on the supply of manpower clarified

- Definition of “work” proposed to now include the supply of manpower, which is liable to withholding tax at 1 percent (where paid to individuals or HUF) or 2 percent (in other cases).
- Given that a considerable number of GCCs utilise the services of manpower suppliers to augment their workforce, this proposed amendment provides clarity on the withholding rate applicable to seconded manpower.

Tax holiday for foreign companies procuring data centre services

Exemption to foreign companies (notified by the Central Government) on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre until 31 March 2047.

- Where services are provided to Indian users, it shall be routed through an Indian reseller entity.

The specified data centre has been defined to mean:

- data centre set up under the scheme approved by the Central Government in the Ministry of Electronics and Information Technology
- is owned and operated by an Indian company

This would bring in tax certainty for foreign companies rendering cloud services in India.

1 percent/2 percent withholding on the supply of manpower

A 100 percent tax exemption to foreign companies procuring services from specified data centres

Infrastructure

A renewed push and focus on infrastructure

Overview

Infrastructure is regarded as part of the first “Kartavya” in order to accelerate and sustain economic growth.

Accelerated infrastructure financing and asset monetisation

- Accelerate recycling of CPSE real estate assets via the establishment of dedicated REITs.

Infrastructure risk guarantee fund

- It is proposed to establish an infrastructure risk guarantee fund to boost lender confidence by providing partial credit guarantees for infrastructure projects during the construction/development phase.

Promotion of rare earth permanent magnets’ mining

- Building on the scheme launched in November 2025 for the mining, processing, research and manufacturing of rare earth magnets, this time the focus is on establishing dedicated rare earth corridors in the mineral-rich states such as Odisha, Kerala, Andhra Pradesh and Tamil Nadu.

A sum of INR12,200 billion is allocated towards public capex on infrastructure (up from INR11,200 billion last year).

The focus will shift to developing the infrastructure in tier 2/3 cities to turn them into growth centres. Mapping of cities’ economic regions will be done based on specific growth drivers.

A restructuring of PFC and REC has been announced to improve the efficiency of NBFCs.

Infrastructure

A renewed push and focus on infrastructure

CIE

- The scheme has been introduced to strengthen the domestic production of high-value and tech-advanced construction equipment (e.g., lifts, tunnel boring equipment to build metros, fire-fighting equipment, etc.)

Other notable sectoral reforms

- New freight corridors to be set up for east-west connectivity
- Twenty new national waterways to connect mineral-rich and industrial areas to seaports
- Seven high-speed passenger rail corridors to improve connectivity

Review of FEMA (NDI) Rules

- Comprehensive review announced to create more user-friendly framework for foreign investments

INR200 billion to be spent over the next five years on carbon capture and utilisation storage technologies to improve ESG readiness across power, steel, cement, refineries and chemicals sectors.

INR100 billion to be spent over the next five years for creating a globally competitive container manufacturing ecosystem.

Infrastructure

Direct tax reforms

Rationalisation of provisions relating to MAT

- Under the old tax regime, the final rate of MAT has been reduced to 14 percent vis-à-vis the current 15 percent, and no new MAT credit will be allowed to be carried forward and set off in subsequent years.
- Under the concessional tax regime, the set-off of MAT credit will be allowed to the extent of 25 percent of tax liability in a year wherein taxes are to be paid at 25.17 percent. Such MAT credit will be allowed to be carried forward and set off for 15 years.

Exemption to foreign companies w.r.t data centre services

- Exemption will be provided to foreign companies up to 31 March 2047 on income accruing or arising in India by procuring data centre services from specified data centres (which shall be owned and operated by an Indian company and approved by the Ministry of Electronics and Information Technology), provided services rendered to Indian users are routed through an Indian reseller entity.

Taxation of buyback of shares

- Buyback of shares will be taxable as capital gains in the hands of shareholders. However, promoters would be subject to additional income tax, with an effective tax liability of 22/30 percent.

Amendments in the mining industry

- TCS on the sale of minerals, coal, lignite or iron ore has been increased to two percent vis-à-vis the current one percent.
- Expenses incurred on operations relating to prospecting or development of a mine are allowed as a deduction over a span of 10 years from the year of commercial production.

Rationalisation of MAT provisions w.r.t tax rate and carry forward of MAT credit

Tax exemption granted to foreign companies procuring data centre services

Buyback to be taxed as capital gains in the hands of shareholders; however, additional taxes levied on promoters

Infrastructure

Direct tax reforms

Due date for the deposit of employees' contributions to the Provident Fund

- Tax deduction is allowed on employees' contributions to the Provident Fund if deposited within the due date for filing the return of income.

Updated return allowed to be filed even in re-assessment proceedings

- Updated return is allowed to be filed where reassessment proceedings have been initiated by paying additional income tax at the rate of 10 percent aggregate of tax and interest payable while furnishing the updated return. Immunity is granted from a levy of penalty on such income where additional income tax has been paid.

Rationalisation of tax rate on unexplained expenditure, credits and investment

- Tax rate on unexplained expenditure, cash credits and investments will be reduced to 30 percent vis-à-vis the current 60 percent.
- Penalty on the aforementioned will be included within "under-reporting/misreporting of income" vis-à-vis the erstwhile income tax regime, wherein penalty was levied at a flat rate of 10 percent.

Others

- Requirement of ICDS will be incorporated into IndAS.
- Due date to file revised return of income has been extended to 31 March, vis-à-vis the current due date, i.e., 31 December.
- No deduction will be allowed in respect of any interest expenditure for earning dividend income or income from units of mutual funds.

Infrastructure

Customs duty rate changes

Commodity	Rate of basic customs duty	
	From (percent)	To (percent)
Renewable energy		
Sodium antimonate for use in the manufacture of solar glass	7.5	Nil
Specified capital goods for use in the manufacture of lithium-ion cells for batteries of battery energy storage system	As applicable	Nil
Nuclear		
All goods for the generation of nuclear power falling under tariff item 8401 30 00	7.5	Nil
Control and protector absorber rods, burnable absorber rods for the generation of nuclear power falling under tariff item 8401 40 00	7.5	Nil
Goods required for the setting up of specified nuclear power projects, irrespective of their capacity, where the projects have been registered with the customs houses concerned on or before 30 September 2035 in compliance with the Project Import Regulations, 1986	As applicable	Nil

Life Sciences and Healthcare

Policy initiatives

Budget 2026 has reinforced healthcare as a **strategic pillar of Viksit Bharat**, with a clear shift from volume-led growth to innovation-driven, globally competitive healthcare and biopharma ecosystems. Outcomes hinge on the speed of implementation, regulatory effectiveness and affordability passed through to patients.

- Healthcare allocation of ~INR1,124.6 billion (US\$12.3 billion)
- **Biopharma SHAKTI**, a Strategy for Healthcare Advancement through Knowledge, Technology and Innovation:
 - INR100 billion (US\$1.09 billion) over five years to position India as a global biopharma manufacturing hub, with a focus on biologics and biosimilars.
 - Ecosystem build-out: **3 new NIPERs** and **upgradation of 7 existing** institutes; **1,000+ accredited clinical trial sites**; and strengthening the **Central Drugs Standard Control Organisation (CDSCO)** to meet global standards and approval timelines.
- Skilled career pathways in healthcare:
 - Expansion/upgradation of institutions for **Allied Health Professionals** across 10 disciplines (optometry, radiology, anaesthesia, OT tech, applied psychology, etc.).
 - Launch of **multiskilled caregiver programmes** integrating wellness, yoga and assistive-device handling.

Shift from **volume-led generics to value-driven biopharma** and innovation-led healthcare growth

Healthcare repositioned as a **full ecosystem** – manufacturing, services, exports, skilling, mental health, assistive care and animal health

Life Sciences and Healthcare

Policy initiatives

- Medical Value Tourism (MVT) hubs
 - Support to states to set up **five integrated MVT hubs (PPP mode)** combining healthcare delivery, education, research, diagnostics, rehabilitation and **AYUSH centres**, along with facilitation infrastructure.
- Indian traditional medicine/AYUSH
 - Establishment of **three new All-India Institutes of Ayurveda** and **upgradation of AYUSH** pharmacies and drug-testing labs.
 - Strengthening **WHO Global Traditional Medicine Centre** to promote evidence-based research and training.
- Assistive devices
 - Launch of **Divyang Sahara Yojana** to improve access to quality assistive devices; setting up **Assistive Technology Marts**.
 - Scale-up of Artificial Limbs Manufacturing Corporation of India with emphasis on R&D and AI integration.
- Mental health and trauma care: Setting up **NIMHANS-2** and upgrading select National Mental Health Institutes as regional apex centres; establishing **Emergency and Trauma Care Centres** in district hospitals
- Animal health
 - Loan-linked capital subsidy to promote **private veterinary and para-vet colleges, hospitals, diagnostics and breeding facilities**, including foreign collaboration.
 - Addition of **20,000+ veterinary professionals**, recognising livestock's role in farm incomes.

Life Sciences and Healthcare

Tax proposals

Direct tax

- Decriminalisation of provisions relating to failure to ensure TDS where consideration is in kind; a significant ease-of-doing-business measure for pharma, med-tech, hospitals and healthcare services.
- TCS on foreign remittances for medical treatment abroad has been reduced to 2 percent (from 5 percent), easing the cash flow burden for patients.

Indirect tax

- With effect from 2 February 2026:
 - BCD exempted on 17 new cancer drugs/medicines (List 3).
 - Customs duty exemption extended to drugs and medicines for the treatment of seven rare diseases included in the National Policy for Rare Diseases 2021 (List 22)
 - For artificial plasma, the concessional BCD rate of 5 percent has been removed. These goods will be subject to the BCD rate per the First Schedule.
- With effect from 1 April 2026:
 - The concessional BCD rate of 7.5 percent is removed for x-ray tubes used for the manufacture of x-ray machines for medical, surgical and veterinary use. These goods will attract a 10 percent BCD rate.

Sustainability and Climate Transition

Focus on industrial decarbonisation

The budget introduces targeted measures to address emissions from hard-to-abate sectors. The INR20,000 crore multi-year allocation for CCUS focuses on reducing emissions from industries such as steel, cement and power. This reflects a shift towards technology-led decarbonisation of industrial activity.

Strengthening clean-technology supply chains

Measures to support critical minerals and rare earth value chains aim to reduce import dependence. The budget announces a new programme for developing rare earth mineral corridors, with a planned investment of INR42,000 crore across mining, processing and manufacturing. In parallel, the budget advances India's shift from a battery importer to a closed-loop battery manufacturing and recycling hub, strengthening energy security, industrial competitiveness and circular-economy outcomes. Together, these measures support clean-technology ecosystems such as electric mobility, battery storage and renewable energy, and strengthen the foundations for long-term decarbonisation.

Infrastructure-led growth with sustainability co-benefits

The continued increase in capital expenditure provides opportunities to embed sustainability across transport, logistics and urban infrastructure. While not climate-tagged, infrastructure investments can have a positive impact on long-term emissions and resilience outcomes.

The Budget 2026 focuses on building systems required for the sustainability transition, including industrial decarbonisation pathways, supply chain resilience and infrastructure readiness.

The impact of these measures will depend on timely implementation, regulatory clarity and mobilisation of private capital over the coming years.

Technology, Media and Telecommunications

Policy initiatives

- **ISM 2.0** aims to expand into semiconductor equipment, materials and full-stack Indian IP while building resilient supply chains and promoting advanced training.
- The ECMS, launched in April 2025 with an outlay of INR229,190 million, has gained strong traction; to build on this momentum, the outlay is proposed to be increased to INR400,000 million.
- A strong push to India's **AVGC or orange economy**, including setting up AVGC Creator Labs across 15,000 secondary schools and 500 colleges to build a large talent pipeline for animation, gaming and OTT.
- **Bharat-VISTAAR** aims to boost farm productivity and reduce risks through a multilingual, AI-driven platform integrating AgriStack and ICAR resources for personalised farmer advisories.
- **Khelo India Mission** seeks to transform the sports ecosystem by using sports science, technology, data analytics and digital platforms, creating opportunities in training, broadcasting and sports-tech.
- **Divyang Sahara Yojana** focuses on scaling assistive-device manufacturing via R&D and AI integration through ALIMCO and Assistive Technology Marts, fostering health-tech and hardware–software innovation.
- The Union Budget 2026 prioritises **AI, quantum computing and deep-tech**, strengthening support for national research missions to deliver inclusive benefits for farmers, women in STEM, youth upskilling and Divyangjan.

Technology, Media and Telecommunications

Direct Tax

- Exemption to a foreign company up to 31 March 2047 on income from procurement of data centre services from a data centre owned and operated by an Indian company:
 - A foreign company should not own or operate the data centre and should be notified by the Government.
 - Sales by a foreign company to users located in India are to be made through an Indian reseller company.
- Exemption to a foreign company until FY30–31 on income arising on account of providing capital goods, equipment or tooling to a resident contract manufacturing company in a customer bonded area for use in electronics manufacturing in India for the foreign company:
 - Such capital goods, equipment or tooling is under the control and direction of the contract manufacturer
- FA 2025 introduced a presumptive taxation regime for non-residents providing services or technology in India to Indian residents for setting up or operating an electronics manufacturing facility or for manufacturing electronic items. It is now proposed that the MAT provisions will not be applicable to such non-residents.
- Rationalisation of prosecution proceedings in relation to non-deposit of TDS, inter alia, on winnings from online gaming and on consideration for the transfer of a VDA:
 - Where winnings or consideration are wholly in kind: To be excluded from criminal liability.
 - Where tax exceeds INR5 million: Simple imprisonment for up to two years, or with a fine or both.
 - Where tax exceeds INR1 million but less than INR5 million: Simple imprisonment for up to six months, or with a fine or both.
 - Any other case, with a fine.

Technology, Media and Telecommunications

Transfer pricing

Rationalising Safe Harbour Rules for IT services

The current Safe Harbour regime applies different definitions and mark-ups (ranging from 17 percent to 24 percent) for software development, ITeS, KPO and software-related contract R&D, despite these services often being delivered through integrated operating models.

- The Union Budget 2026 addresses this disconnect by proposing to **merge these services into a single “Information Technology Services”** category, with a standardised **safe harbour margin of 15.5 percent on operating costs**, providing much-needed certainty and impetus for captives and GCC.
- To address scale, the turnover threshold for Safe Harbour eligibility is proposed to be **expanded remarkably from INR300 crore to INR2,000 crore**.
- Importantly, the Safe Harbour regime is also proposed to **become fully automated and rule-driven, requiring no tax officer approval**. Once selected, taxpayers can rely on the Safe Harbour for up to five years, providing long-term certainty and reduced litigation exposure.

Encouragement for GCCs/captives to scale and move up the value chain by undertaking high-end work in India, without the risk of reclassification into separate categories with varied markups.

An integrated classification would also reduce the requirement of maintaining separate segmental accounts between these categories, reducing litigation.

Technology, Media and Telecommunications

Transfer pricing

Introduction of Safe Harbour for the Data-centre/cloud structure

- To the push for digital infrastructure, the Indian Government has proposed to provide a safe harbour margin of **15 percent on cost** to related Indian entities offering data centre services.

Introduction of Safe Harbour for the electronics supply chain/bonded-warehouse

- For non-resident component warehousing in bonded facilities (just-in-time logistics for electronics), a 2 percent profit-on-invoice safe harbour is proposed.

Fast-track Unilateral APAs for IT services

- The Indian Government has proposed to fast-track the Unilateral Advance Pricing Agreement (APA) process for IT services companies seeking an APA, with a target **to conclude it within two years, extendable by six months upon the taxpayer's request.**

“Modified return” facility extended to AEs impacted by an APA

- Furthermore, the facility of modified returns, currently available to an entity entering into an APA, is proposed to be extended to its associated entities as well, ensuring alignment and ease of compliance across the group.

Note: Detailed rules on the aforementioned Safe Harbour provisions would be notified separately by the CBDT

Technology, Media and Telecommunications

Indirect Tax: GST

- The recommendation of the 56th GST Council meeting regarding the omission of Section 13(8)(b) of the IGST Act, which previously deemed the place of supply for intermediary services as the location of the supplier, has been implemented.
- By shifting the place of supply to the recipient's location (outside India), this change addresses long-standing litigation and interpretational issues by allowing Indian intermediaries to qualify for export benefits and zero-rated tax treatment.
- This change will significantly boost competitiveness for sectors such as IT, BPO and consulting.

[From the date of enactment of Finance Bill, 2026]

Transportation, Hospitality and Services

Policy measures

Budget 2026 places THS at the centre of India's services-led growth story, with tourism positioned as a multi-sector multiplier spanning transport, hospitality, healthcare, culture and regional infrastructure.

- **Diversification towards experiential tourism**

- Development of eco, heritage, trekking and adventure tourism trails, signalling a shift from mass tourism to experience-led, higher-value tourism.
- Focus on archaeological, cultural and religious sites to unlock heritage-led tourism and regional economic activity.

- **Medical tourism:** Promotion of medical tourism hubs through public-private partnerships, integrating healthcare delivery with hospitality, logistics and post-care infrastructure.

- **Institutional capacity and skilling**

- Establishment of a National Institute of Hospitality to strengthen professional education and sector standards.
- Structured upskilling of tourist guides and hospitality professionals, improving service quality and global competitiveness.

Tourism is elevated to a national growth engine, with a clear **US\$3 trillion** ambition under **Viksit Bharat@2047**.

Policy focus shifts from **mass tourism to high-value experiential tourism** – eco, heritage, cultural, adventure, spiritual and medical tourism.

Skilling and digital enablement aim to raise service quality and global competitiveness.

Transportation, Hospitality and Services

Policy measures

- **Digital tourism infrastructure**
 - Creation of a National Destination Digital Knowledge Grid to digitally document destinations of cultural, historical and natural significance, supporting planning, promotion and employment generation.
- **Balanced regional development**
 - Targeted development of tourism destinations in eastern and north-eastern India, supporting inclusive growth.
 - Proposed investment in tier 2 and tier 3 cities, expanding tourism beyond metro-centric models.
- **Connectivity enablers:** Continued support for high-speed rail corridors and inland waterways, improving access to key tourist destinations and reducing travel friction.

Regional development is prioritised through destination building in eastern, north-eastern and tier 2/3 cities.

No infrastructure status yet for the hospitality sector.

Transportation, Hospitality and Services

Tax proposals

- TCS on overseas tour packages rationalised to 2 percent (from rates of up to 20 percent), significantly reducing upfront cost and cash flow burden for travellers.
- TDS on supply of manpower streamlined to 2 percent.
- Decriminalisation of failure to ensure or pay TDS in cases involving benefits or perquisites wholly or partly in kind, reducing prosecution risk for routine commercial arrangements common in the sector.

Rationalisation of TCS/TDS and decriminalisation measures materially improve ease of doing business and affordability of travel.

Glossary



Glossary

AAAR: Appellate Authority for Advance Ruling

AEs: Associated Enterprises

AHPs: Allied Health Professionals

AI: Artificial Intelligence

ALIMCO: Artificial Limbs Manufacturing Corporation of India

AMRUT Scheme: Atal Mission for Rejuvenation and Urban Transformation Scheme

APA: Advance Pricing Agreement

AVGC: Animation, Visual Effects, Gaming and Comics

BCD: Basic Customs Duty

BPO: Business Process Outsourcing

CBDT: Central Board of Direct Taxes

CBG: Compressed Biogas

CCUS: Carbon Capture, Utilisation and Storage

CDSCO: Central Drugs Standard Control

CER: City Economic Regions

CGT: Capital Gains Tax

CGTMSE: Credit Guarantee Fund Trust for Micro and

CIE: Construction and Infrastructure Equipment

CNG: Compressed Natural Gas

CPSE: Central Public Sector Enterprise

DIN: Document Identification Number

DRP: Dispute Resolution Panel

DTA: Domestic Tariff Area

ECMS: Electronic Components Manufacturing Scheme

ESG: Environmental, Social and Governance

ETR: Effective Tax Rate

FA 2025: Finance Act, 2025

FEMA: Foreign Exchange Management Act

FEMA (NDI) Rules: Foreign Exchange Management (Non-Debt Instrument) Rules, 2019

FMCG: Fast-Moving Consumer Goods

FY: Financial Year

GCC: Global Capability Centre

Glossary

GeM: Government e-marketplace

GPU: General Public Utility

GST: Goods and Service Tax

HUF: Hindu Undivided Family

IBC: International Branch Campuses

ICAR: Indian Council of Agricultural Research

ICDS: Income Computation and Disclosure Standards

IDS: Inverted Duty Structure

IFSC: International Financial Services Centre

IndAS: Indian Accounting Standards

IP: Intellectual Property

ISM: India Semiconductor Mission

IT: Information Technology

ITA 1961: Income-tax Act, 1961

ITA 2025: Income-tax Act, 2025

ITeS: Information Technology enabled Services

KPO: Knowledge Process Outsourcing

LRS: Liberalised Remittance Scheme

LTCG: Long Term Capital Gains

MAT: Minimum Alternate Tax

MEITY: Ministry of Electronics and Information Technology

MSMEs: Micro, Small, and Medium Enterprises

NAAAR: National Appellate Authority for Advance Ruling

NaFAC: National Faceless Assessment Centre

NBFC: Non-Banking Financial Company

NBFCs: Non-Banking Financial Companies

NCCD: National Calamity Contingent Duty

NGO: Non-Profit Organisation

NIPER: National Institutes of Pharmaceutical Education and Research

NSQF: National Skills Qualifications Framework

OBU: Offshore Banking Unit

OBUs: Offshore Banking Units

Glossary

OEC: Offshore Education Centre

OTT: Over-The-Top

PE: Permanent Establishment

PFC: Power Finance Corporation

PM CARES Fund: Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund

PROI: Persons Resident Outside India

R&D: Research and Development

REC: Rural Electrification Corporation

REIT: Real Estate Investment Trust

RFCTLARR: Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement) Act

SAAR: Specific Anti-avoidance Rules

SEZ: Special Economic Zone

SFT: Statement of Financial Transactions

SGB: Sovereign Gold Bonds

SHAKTI: Strategy for Healthcare Advancement through Knowledge, Technology and Innovation Small Enterprises

SME: Small and Medium Enterprises (SMEs)

SPV: Special Purpose Vehicle

STCG: Short Term Capital Gains

STEM: Science, Technology, Engineering, and Mathematics

STT: Securities Transaction Tax

TAN: Tax Deduction and Collection Account Number

TCS: Tax Collected at Source

TDS: Tax Deducted at Source

TP: Transfer Pricing

TReDS: Trade Receivables Discounting System

TRS: Total Return Swaps

VDA: Virtual Digital Assets

VGF: Viability Gap Funding

VISTAAR: Virtually Integrated System to Access Agricultural Resources

Deloitte scoops over 60 awards at the [ITR Awards 2025](#)

India accolades

2025

Recognised as
**India Tax Advisory Firm
of the Year**
(third consecutive year)



2025

Recognised as
**India Transfer Pricing
Advisory Firm of the Year**



Asia Pacific accolades

**Tax Advisory
Firm of the Year**

**Transfer Pricing Advisory
Firm of the Year**

**Indirect Tax Advisory
Firm of the Year**

**Global Executive Mobility
Firm of the Year**

**Tax Compliance & Reporting
Firm of the Year**

**Tax Technology
Firm of the Year**

**Tax Policy
Firm of the Year**

**Tax Disputes Advisory
Firm of the Year**



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.