Budget 2026 *Overview*

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The Union Budget 2026 advances India's direct tax reforms with a focus on simplification, certainty and reduced litigation. It accelerates the transition to the Income-tax Act, 2025, rationalises the MAT regime, and moderates penalty and prosecution provisions while introducing targeted incentives for strategic sectors. Overall, the Budget balances ease of compliance with effective tax enforcement.

Direct tax *Proposals*

A. RATES OF TAX

Tax Rates for an individual Under the Old Tax Regime

The Government has decided to keep the tax slab rates unchanged.

Total Income	**Tax Rate for FY 2025-26**	**Tax Rate for FY 2026-27**
Upto Rs. 2,50,000	NIL	NIL
Rs. 2,50,001 to 5,00,000	5 per cent	5 per cent
Rs. 5,00,001 to 10,00,000	20 per cent	20 per cent
Above Rs. 10,00,000	30 per cent	30 per cent

* The maximum exemption limit shall be Rs. 3,00,000 for a resident senior citizen whose age is 60 years or above.

* The maximum exemption limit shall be Rs. 5,00,000 for a resident super senior citizen whose age is 80 years or above

Tax Rates for an individual/AOP/BOI under the New Tax Regime

Total Income	**Tax Rate for FY 2025-26**	**Tax Rate for FY 2026-27**
Upto Rs. 4,00,000	NIL	NIL
From Rs. 4,00,001 to Rs. 8,00,000	5 per cent	5 per cent

Rs. 8,00,001 to 12,00,000	10 per cent	10 per cent
Rs. 12,00,001 to 16,00,000	15 per cent	15 per cent
Rs. 16,00,001 to 20,00,000	20 per cent	20 per cent
Rs. 20,00,001 to 24,00,000	25 per cent	25 per cent
Above Rs. 24,00,000	30 per cent	30 per cent

The above-mentioned rates shall apply, unless an option is exercised as per provisions of section 115BAC(6). Thus, rates specified in section 115BAC(1A) are the default rates.

Co-operative Societies: In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I-A of the First Schedule to the Bill. They remain unchanged at (10% up to ₹ 10,000; 20% between ₹ 10,001 to ₹ 20,000; and 30% when income excess ₹ 20,000).

Firms: In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

Local Authorities: In the case of local authority, the rate of income-tax has been specified in Paragraph D of Part I-A of the First Schedule to the Bill. They remain unchanged at 30%.

Companies:

- In the case of companies, the rates of income-tax have been specified in Paragraph E of Part I -A of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2025-26. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed four hundred crore rupees and in all other cases the rate of income-tax shall be 30% of the total income.

- In the case of companies other than domestic companies, the rate of income-tax shall be 35%, on the total income other than income chargeable at special rates.

Surcharge: The rates of surcharge on the amount of income-tax are the same as that specified for the AY 2025-26.

Educational cess: 4% on income tax + surcharge

Marginal relief: Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

Comments: *Budget 2026 leaves the personal tax slabs unchanged under both the old and new regimes, so whatever rules applied last year continue this year too.*

In the new tax regime, because of the existing Section 87A rebate, many taxpayers with total income up to about ₹12 lakh effectively pay zero tax (subject to rebate conditions) - the rebate wipes out the liability for that range.

Under the old regime, tax benefits depend heavily on deductions like Section 80C, HRA, etc., so it generally only becomes competitive if you have lots of deductions to claim.

In conclusion:

- *If your total income is above ~₹12 lakh, the new regime usually becomes more beneficial unless your itemized deductions under the old regime are significant.*
- *The 87A rebate limit stayed the same in Budget 2026, so the zero-tax threshold hasn't increased further.*

B. EASE OF LIVING : RATIONALISATION PROVISIONS

1. Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction

Under Section 29, employers must credit an employee's contribution to the relevant fund by the specific due date prescribed under that fund's laws to qualify for a tax deduction.

The amendment shifts the "due date" for these contributions to the date for filing the return of income under Section 263(1) of the Act.

This change takes effect from April 1, 2026, applying to the tax year 2026-27 and all subsequent years.

***Comments*:-**

The Income-tax Act, 1961 had historically maintained a rigid stance under Section 36(1)(va), where employee contributions (PF/ESI) had to be deposited by strict monthly statutory due dates. Any delay, however brief, resulted in a permanent tax disallowance for the employer.

The Finance Bill, 2026, proposes to relax this by aligning the deposit deadline with the due date for filing the return of income. This amendment to Section 29(1)(e) ensures that employers receive the tax deduction as long as the funds are credited before the tax return is filed, effectively removing the punitive consequences for minor monthly delays starting April 1, 2026.

2. Exemption on interest income under the Motor Vehicles Act, 1988.

The Finance Bill, 2026, introduces a compassionate amendment regarding motor accident compensation. Here are the key points:

-All interest income awarded by a tribunal under the Motor Vehicles Act, 1988, is now 100% exempt from income tax.

-This exemption applies to an individual (natural person) or their legal heir receiving interest on awards related to death, permanent disability, or bodily injury.

To ensure the victim receives the full benefit immediately, the requirement for Tax Deducted at Source (TDS) on such interest payments has been completely abolished.

This change takes effect from April 1, 2026, applying to the tax year 2026-27 and all subsequent years.

***Comments:** This amendment provides a statutory exemption to ensure that interest awarded to accident victims is not treated as "income," but rather as a welfare measure. It is a compassionate shift from the 1961 Act, where interest was often heavily taxed, causing financial hardship to grieving families. The relief is specific to individuals and heirs, ensuring that the compensatory nature of the award is preserved without any tax or TDS leakages.*

3. No tax to be deducted at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual

As per the provisions of section 393(4) [Table: Sl. No. 7, Column C (c)(iv)] of the Act, tax is not required to be deducted in respect of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal, if the amount or the aggregate of the amounts of such income does not exceed ₹ 50,000 during the tax year.

In order to provide relief to the individual and to alleviate the hardship caused due to accident, it is proposed that no tax shall be deducted at source in respect of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to an individual. This change takes effect from April 1, 2026, applying to the tax year 2026-27 and all subsequent years.

***Comments:** Under the 1961 Act, the ₹50,000 threshold often acted as a 'tax trap' for accident victims. Large interest amounts accumulated over years of litigation were slashed by 10% TDS at the time of payment, forcing grieving families to navigate the tax system just to recover their own compensation. The 2026 amendment recognizes that this interest is compensatory, not an investment gain. By removing TDS entirely for individuals, the government has ensured that the judiciary's intent of full restitution reaches the victim without any administrative or fiscal leakages.*

4. Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax

The Finance Bill, 2026, introduces a major procedural reform for obtaining lower or nil tax deduction certificates under the new Income-tax Act, 2025.

Here are the key points:

- Payees can now apply for lower or nil TDS/TCS certificates electronically before a prescribed authority, rather than only through a manual jurisdictional Assessing Officer (AO).
- The amendment introduces a system-driven, automated mechanism for small taxpayers. This reduces the discretionary power of the AO and ensures a faster, more transparent process.
- This amendment will take effect from April 1, 2026.

Comments: *The shift from the 1961 Act's Section 197 to the new Act's Section 395 is a significant move toward 'Faceless' tax administration. Previously, small businesses and individuals often faced cash-flow blockages because obtaining a lower TDS certificate was a time-consuming, manual hurdle. By automating this through a rule-based system, the government is ensuring that taxpayers with low tax liability can access their funds immediately rather than waiting for post-filing refunds.*

5. Relaxation from requirement to obtain tax deduction and collection account number(TAN) by a resident individual or HUF, where the seller of the immovable property is a non - resident

Resident individuals and Hindu Undivided Families (HUFs) will no longer need a Tax Deduction and Collection Account Number (TAN) to purchase property from a non-resident. Taxpayers can now deduct and deposit TDS by quoting only their Permanent Account Number (PAN), streamlining the process for one-time transactions.

This aligns the procedure for buying property from non-residents with the existing simpler process used for resident sellers.

This amendment will take effect from October 1, 2026.

Comments: *Under the 1961 Act, individual buyers were forced to obtain a TAN just for a single NRI property deal. This was a major 'procedural irritant.' The 2026 amendment removes this hurdle, allowing buyers to use their PAN. It brings long-awaited parity between resident and NRI transactions, ending unnecessary red tape for homebuyers.*

6. Enabling filing of declaration for no deduction to a depository

Investors with multiple listed securities can now file a single declaration (Form 15G/15H) with their Depository (NSDL/CDSL) instead of individual companies.

Form 15G (for non-senior citizens) and 15H (for senior citizens) are declarations submitted to prevent TDS when your total income is below the taxable limit. If an investor earned dividend or interest from multiple listed companies or multiple mutual funds, they had to submit separate Form 15G / 15H to each company or AMC and companies had to report these forms every month to the tax department. This led to duplication of work, delays, wrongful TDS and sometimes refund hassles, especially for senior citizens.

The Finance Bill proposes to remove this hassle by filing a single declaration to the depository. The Depository will electronically transmit these declarations to the respective companies or mutual funds for processing. Deductors are now required to submit these declarations to the Tax Authorities quarterly instead of monthly, easing administrative overhead. This facility is exclusively for listed securities and mutual fund units held in dematerialized form.

This amendment takes effect from April 1, 2027.

Comments: *The 1961 Act's requirement to file separate Form 15G/H for every security was a major compliance bottleneck for retail investors. The 2026 amendment (Section 393(6)) transforms this into a 'file-once' system via the Depository. This not only prevents accidental TDS on small dividends for low-income earners but also significantly cuts down the monthly data-entry burden for corporate deductors, moving toward a more efficient, tech-driven tax ecosystem*.

7. Application of TDS on supply of manpower

The proposed amendment is a major step toward reducing litigation. By formally classifying the "Supply of Manpower" as "Work," the government has cleared the long-standing confusion between whether these services were "Technical/Professional" (taxed at 10%) or "Contractual" (taxed at 1%/2%).

The change is effective from April 1, 2026.

Comments: *The proposed amendment seeks to bring clarity by expressly classifying 'supply of manpower' as 'work'. This is expected to reduce interpretational disputes regarding the applicability of TDS provisions, particularly the long-standing debate between Section 194C and*

Section 194J. The amendment, applicable from 1 April 2026, provides prospective certainty for taxpayers, though its impact on pending or past litigation will depend on judicial interpretation.

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

The proposed amendment to Paragraph 4 of Schedule XIV introduces a mechanism to allow expenses that were earlier disallowed solely due to non-deduction or non-payment of TDS under Section 35(b)(i) and (ii) to be claimed as a deduction in the year in which the TDS is actually deducted and paid.

This change ensures that such disallowances for non-life insurance companies operate only as a timing difference and do not result in a permanent denial of deduction. The amendment aligns the tax treatment of insurers with that applicable to other corporate taxpayers and is effective from 1 April 2026, applicable to tax year 2026-27 onwards.

Comments: *The amendment provides a mechanism for allowing expenses disallowed due to TDS non-compliance once the tax is subsequently deducted and paid, thereby preventing permanent disallowance for non-life insurance companies.*

9. Exemption of income on compulsory acquisition of any land under the RFCTLARR Act

Income received as compensation, award, or agreement for the compulsory acquisition of land under the RFCTLARR Act, 2013 has now been explicitly exempted from tax under the new Income-tax Act, 2025. Unlike the earlier framework under the 1961 Act, this exemption clearly applies to both agricultural and non-agricultural land, provided the acquisition is carried out through the statutory compulsory acquisition process.

The exemption does not apply where land is acquired through private negotiations under Section 46 of the RFCTLARR Act, as such transactions are treated as voluntary transfers rather than compulsory acquisitions. This distinction ensures that only acquisitions involving the exercise of statutory powers of the State qualify for tax exemption.

The amendment effectively codifies CBDT Circular No. 36/2016 by incorporating the exemption into Schedule III (exempt income), thereby converting an administrative clarification into a permanent legislative provision. The change applies prospectively to acquisitions made on or after 1 April 2026, relevant for tax year 2026-27 and onwards, and is expected to significantly reduce litigation and interpretational disputes.

Comments : *By statutorily exempting compensation received for compulsory acquisition of land under the RFCTLARR Act, the amendment provides long-overdue certainty and removes litigation risk, particularly for non-agricultural landowners.*

10. Exemption for Disability Pension to armed force personnel

The proposed amendment inserts a specific exemption in the new Income-tax Act, 2025 for disability pension received by armed forces personnel, thereby replacing the long-standing reliance on the 1922 notification and various administrative circulars. The exemption clearly covers both the service element and the disability element of the pension, making the entire receipt tax-free, but restricts the benefit only to personnel who are invalided out of service due to bodily disability. It expressly excludes cases of superannuation or voluntary retirement, even where the disability is service-related. The amendment applies prospectively from 1 April 2026, relevant for tax year 2026-27 onwards.

Comments: *The amendment brings long-overdue statutory clarity by codifying the exemption for disability pension while clearly defining its scope, thereby reducing ambiguity and ensuring uniform application of the law.*

11. Rationalizing due dates for filing of return of Income

Section 139 of the Income-tax Act,1961 with effect from the 1st day of March, 2026 for tax year 2025-26:

S. No	Person	Conditions	Due date
1	Assessee, including the partners of the firm or the spouse of such partner (if section 5A applies to such spouse)	Where the provisions of section 92E apply.	30th November

2	(i)Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force; (iii) partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force or the spouse of such partner (if section 5A applies to such spouse)	Where the provisions of section 92E do not apply.	31st October
3	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law for the time being in force; (ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law for the time being in force or the spouse of such partner (if section 5A applies to such spouse)	Where the provisions of section 92E do not apply.	31st August
4	Any other assessee		31st July

12. Extending the period of filing revised return

The time limit for filing a revised return is proposed to be increased from **9 months to 12 months** from the end of the relevant tax year.

These amendments will take effect from **1st day of April 2026** for tax year 2026-27 and subsequent years.

***Comments**: Businesses now get an additional 3 months' window to revise returns, which is especially helpful where audit finalisation, TDS mismatches, or late information impact the original filing.*

13. Scope of filing of updated return in the case of reduction of losses

Section 263(6) allows taxpayers to file an updated return within 48 months from the end of the financial year succeeding the relevant tax year, regardless of whether a return was filed previously.

Existing Restrictions :- an updated return cannot Result in a loss, Reduce tax liability or increase a refund and Taxpayers can only update a "Return of Loss" if the new updated return results in a "Return of Income."

Proposed Amendment :- The government proposes to allow taxpayers to file an updated return even if it remains a "Return of Loss," provided the amount of loss is reduced compared to the original return filed.

It is also proposed that amendment in the Income-tax Act, 1961 shall come into force from 1st day of March, 2026.

It is further proposed that the above amendments shall come into force from the 1st day of April, 2026.

***Comments**: The proposed amendment to Section 263(6) is a pragmatic relaxation in the updated return framework, as it permits taxpayers to file an updated return even where the outcome continues to be a return of loss, provided the quantum of loss is reduced compared to the originally filed return.*

This addresses a genuine hardship under the existing law, where taxpayers were barred from correcting over-reported losses despite no revenue loss to the exchequer. The change reinforces the objective of encouraging voluntary compliance and accurate reporting, while continuing to safeguard revenue by disallowing updates that create or enhance losses.

The staggered effective dates - 1 March 2026 for the Income-tax Act, 1961 and 1 April 2026 for the Income-tax Act, 2025 - ensure a smooth legislative transition without retrospective uncertainty.

14. Allowing the filing of updated return after issuance of notice of reassessment:

Section 263(6)(c)(v) of the Act prohibits the filing of updated return in such cases where any proceedings for assessment or reassessment or precomputation or revision of income is pending or has been completed for the said tax year. Accordingly, filing of update return was not allowed in such cases where proceedings of reassessment has been initiated.

Proposed Amendment :- Updated return may also be allowed in such cases where proceedings of reassessment have been initiated and notice of reassessment has been issued under section 280 of the Act as the same would reduce litigation

If a taxpayer chooses to file an updated return in response to a notice, they are precluded from filing a return through any other method for that specific notice.

To use this facility, the taxpayer must pay an **additional 10% tax** (over and above the standard additional tax and interest already prescribed for updated returns).

Timeline:

- **Income-tax Act, 2025:** Effective from **April 1, 2026** (applies to Tax Year 2026-27 onwards).
- **Income-tax Act, 1961:** Retrospectively effective from **March 1, 2026**, to align older cases with the new policy.

Comments*: The proposed amendment to Section 263(6)(c)(v) introduces a voluntary-compliance option even after reassessment proceedings have been initiated, by allowing the filing of an updated return upon receipt of a notice under Section 280.*

This mechanism provides taxpayers with an opportunity to settle matters early, while safeguarding revenue through the levy of an additional 10% tax over and above the existing additional tax and interest applicable to updated returns. By restricting the taxpayer from responding to the same notice through any other mode once this option is exercised, the amendment ensures procedural finality.

The prospective application under the Income-tax Act, 2025 from 1 April 2026, along with limited retrospective effect under the Income-tax Act, 1961 from 1 March 2026, reflects a calibrated approach aimed at reducing prolonged reassessment-related litigation without diluting enforcement powers.

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

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers. a one-time compliance window was provided from 1 July 2015 to 30 September 2015 to enable voluntary declaration of undisclosed foreign assets acquired up to 31 March 2015, subject to payment of tax and penalty.

Subject to the provisions of this Scheme, any person may make, on or after the date of commencement of this Scheme but on or before the last date, a declaration, for any previous year, in respect of any income or asset referred to in section 117, where—

(a) he has failed to furnish a return under section 139 of the Income-tax Act, 1961; or 43 of 1961.

(b) he has failed to disclose such asset or income, in a return of income furnished by him under the Income-tax Act, 1961 before the date of commencement of this Scheme; or 43 of 1961.

(c) such asset or income has escaped assessment within the meaning of section 147 of the Income-tax Act, 1961.

Two-Category Framework:

- **Category A (Complete Non-Disclosure):** For undisclosed income and assets up to **₹1 crore**. Taxpayers can regularize by paying **30% tax** plus an additional **30% tax** (in lieu of penalty) to gain immunity from prosecution.
- **Category B (Asset Reporting Error):** For cases where taxes were paid on income but the asset itself was not declared. For assets up to **₹5 crore**, taxpayers can regularize by paying a flat **₹1 lakh fee**.
- **Small Asset Immunity:** Separate from the scheme, non-immovable foreign assets with an aggregate value **under ₹20 lakh** are granted retrospective immunity from prosecution effective from **October 1, 2024**.
- The scheme is proposed as part of the Finance Bill, 2026, and will be open for a **six-month window** starting from a date yet to be notified by the government.

Comments: *The scheme essentially creates a "safe harbor." By paying a defined cost (tax + additional tax or flat fee), taxpayers buy permanent immunity from the harsh prosecution and 120% total liability (30% tax + 90% penalty) typically seen under the Black Money Act.*

The ₹20 lakh retrospective immunity is a major relief for the "middle-class student" profile—individuals who may have had small dormant foreign bank accounts or savings from past overseas internships

Many Indian tech employees faced prosecution for failing to report foreign shares (RSUs/ESOPs) despite paying tax on them at the time of vesting. Category B (₹1 lakh fee for assets up to ₹5 crore) finally rectifies this disproportionate punishment

Returning NRIs often hold foreign insurance policies or retirement funds. The scheme provides them a clean exit to bring these assets into the Indian tax fold without the fear of being labeled a "black money" offender.

C. RATIONALISING PENALTY AND PROSECUTION

1. Penalty for Misreporting

In section 270A of the Income-tax Act, 1961, after sub-section (11), sub-section (11A) is proposed to be inserted w.e.f. 1st March, 2026.

Where additional income tax is paid in accordance with section 140B(3A), the income on which such additional income tax is paid shall not form the basis of imposition of penalty under this section.

Sub-section (1) to (3) of section 270AA of the Income-tax Act, 1961 shall be substituted w.e.f. 1st March, 2026.

An assessee may make an application to the Assessing Officer to grant immunity from imposition or, as the case may be, waiver of penalty under section 270A and immunity from initiation of proceedings under section 276C or section 276CC, if he fulfils the following conditions, namely:

a. The tax and interest payable as per the order of assessment under sub-section (3) of section 143 or reassessment under section 147 have been paid within the period specified in the notice of demand;

b. Where penalty has been levied or, as the case may be, leviable under the circumstances referred to in section 270A (9), additional income-tax amounting to 100% of the amount of tax payable on under-reported income has been paid within the period specified in the notice of demand, in lieu of such penalty; and

c. No appeal has been filed against the order referred to in clauses (a) and (b).

An application referred to in sub-section (1) shall be made within one month from the end of the month in which the order referred to in clause (a) and clause (b) of the said sub-section has been received by the assessee, in such form and verified in such manner as may be prescribed.

The Assessing Officer shall, on fulfilment of the conditions specified in sub-section (1) and after the expiry of the period of filing the appeal as specified in clause (b) of sub-section (2) of section 249, grant immunity from imposition or, as the case may be, waiver of penalty under section 270A and initiation of proceedings under section 276C or section 276CC.

No immunity or, as the case may be, waiver under sub-section (3) shall be granted where any proceedings have been initiated under Chapter XXII.

Thus, this amendment provides relief to taxpayers in true letter and spirit for misreporting income, though it contains strict conditions.

Comments: *The amendments provide a statutory settlement mechanism allowing taxpayers to avoid penalty and prosecution by making full payment of tax, interest, and specified additional income-tax, subject to strict conditions and waiver of appellate remedies. The relief is procedural and conditional, and does not dilute the substantive provisions relating to misreporting.*

2. Reduction in Tax Rates for Cash Credits

The Finance Bill, 2026 proposes to scale down the rate of tax applicable for cash credits, unexplained investments etc covered in the 2025 Act to 30%, which are presently taxed @60% (effective rate 78%) under the Income-tax Act,1961 under the old section 115BBE.

Under the provisions of the Income-tax Act, 1961, similar unexplained income was taxable under section 115BBE at the rate of 60%, along with applicable surcharge and cess, resulting in a significantly higher effective tax rate.

Comments*: The proposed reduction in tax rates for unexplained income under the Income-tax Act, 2025 indicates a shift in legislative approach from a predominantly punitive framework towards a more balanced enforcement regime. While the earlier provisions under section 115BBE of the Income-tax Act, 1961 were designed as a strong deterrent against tax evasion, the moderated rate under the new Act appears to recognize the need to align tax outcomes with principles of proportionality and ease of compliance. However, the continuation of the higher tax rate under the existing law for pre-transition years may result in differential treatment across assessment years, underscoring the importance of careful transitional planning and litigation strategy for pending cases.*

3. Relaxation of prosecution under the Black Money Act (Sections 49 & 50)

The proposal carves out relief for small / inadvertent non-disclosures: prosecution under sections 49 and 50 won't apply for foreign assets (other than immovable property) where the aggregate value doesn't exceed ₹20 lakh. The amendment is proposed retrospectively from 1 Oct 2024. This is being positioned as aligning prosecution with the "minor lapse" reality and reducing fear for genuine taxpayers, while keeping teeth for bigger cases.

Comments *: This amendment reflects a calibrated approach to distinguish between material non-disclosures and minor/inadvertent lapses, reducing the risk of disproportionate criminal exposure for small foreign assets while retaining deterrence for significant violations.*

4. Decriminalization + rationalization of prosecution under the new Income-tax Act, 2025

A broad clean-up is proposed to make punishments more proportionate: many offences shift from rigorous imprisonment → simple imprisonment, maximum terms reduce (generally up to 2 years; repeat offences lower than earlier 7 years), and a graded threshold structure is introduced (notably: ≤ ₹10 lakh tax impact → only fine in several places). Some offences are proposed to be fully decriminalised, and fine is introduced as an alternative/alongside imprisonment. The memo itself states the intent: decriminalisation + reduced compliance friction, especially for technical/inadvertent defaults. Effective 1 April 2026 (for the 2025 Act provisions).

Comments*: The proposed changes indicate a systemic shift towards proportional punishment, replacing blanket criminalisation with graded consequences aligned to the severity and monetary impact of the offence.*

5. Block assessment: "other person" block period rationalised

Currently, even if the seized material relating to a third party ("other person") pertains to only one tax year, that person may still get dragged into the full block assessment process. The proposal is to limit the block period for such "other person" situations to reduce disproportionate compliance burden. This applies for searches/requisitions initiated on/after 1 April 2026.

Comments*: This change addresses procedural overreach by ensuring that third parties are not subjected to an extensive block assessment regime where the undisclosed income pertains to a limited period.*

6. Block assessment time limit linked to "initiation of search"

The time limit is presently linked to the quarter in which the last authorisation is executed, which can create different limitation dates in group searches. The proposal shifts the reference point to initiation of search, and correspondingly extends completion time from 12 months → 18 months (for such cases). Effective for searches/requisitions on/after 1 April 2026.

***Comments**: Aligning the limitation period to the initiation of search promotes uniformity in group cases and reduces administrative inconsistencies arising from staggered authorizations.*

7. "Penalty → Fee" conversion for technical defaults

To reduce litigation for technical delays, some penalties are proposed to become mandatory "fees" with graded amounts. Example highlighted: audit-related default under section 446 becomes a graded fee (₹75,000 / ₹1,50,000 depending on delay); similar conversion for the transfer pricing accountant report default and SFT/reportable account defaults (with some caps). Effective from 1 April 2026, applicable for tax year 2026–27 onwards.

***Comments:** The proposal seeks to reduce litigation and discretion-driven disputes by replacing penal provisions for procedural lapses with predictable, non-discretionary fee structures.*

8. Penalty for under-reporting/misreporting to be imposed *within the assessment order* (changes around 270A/274 + related)

Right now there's often an assessment order first, and then separate penalty proceedings (with separate notices/orders), creating multiplicity + multi-year uncertainty. The proposal is to allow the penalty for under-reporting/misreporting to be imposed within the assessment order itself, to cut layers and time. There's also a linked proposal around when interest for demand should start ticking in appeal situations (as per the memo). Operative in the 2025 Act from 1 April 2026, and "effective from 1 April 2027" for assessment drafts/orders covered by the specified triggers in the memo.

***Comments**: Embedding penalty determination within the assessment order aims to eliminate multiplicity of proceedings, enhance certainty, and shorten the overall dispute lifecycle.*

9. Increase in maximum penalty for non-compliance with information collection

For failure to comply with information collection powers, the maximum penalty is proposed to increase from ₹1,000 → ₹25,000, because ₹1,000 is viewed as too low to create deterrence. Effective 1 April 2026 (tax year 2026–27 onwards).

***Comments**: The increase in the monetary ceiling is intended to restore deterrence value to enforcement provisions that had become ineffective due to outdated penalty limits.*

D. CO-OPERATIVES

1. Exemption to foreign company for procuring data centre services from a specified data centre

Under the existing provisions, deduction in respect of interest or dividend received by a co-operative society from another co-operative society is available only under the old tax regime, while dividends received from companies are taxable in the hands of the co-operative society. The Finance Bill, 2026 proposes to allow deduction under the new tax regime for dividends received by a co-operative society from another co-operative society, to the extent such dividends are distributed to its members. Further, it is proposed to allow deduction for dividends received by notified federal co-operative societies from companies for a period of three years, i.e., up to tax year 2028-29, under both the old and the new tax regimes, subject to the condition that such dividends arise from investments made up to 31 January 2026 and are further distributed to members. The amendment applies from tax year 2026-27 onwards.

***Comments:** The amendment seeks to extend parity between tax regimes for co-operative societies and encourages onward distribution of income to members. The time-bound and investment-linked relief for federal co-operatives indicates a calibrated incentive aimed at stabilising returns on existing investments rather than promoting fresh corporate investments.*

2. Widening scope of deduction under section 149(2)(b) to include ancillary activities

Section 149(2)(b) presently allows deduction of profits and gains of business of primary co-operative societies engaged in supplying specified agricultural produce such as milk, oilseeds, fruits or vegetables raised or grown by their members. The Finance Bill, 2026 proposes to widen the scope of this deduction to include profits from ancillary activities of supplying cattle feed and cotton seeds undertaken by members of such primary co-operative societies. The amendment applies from tax year 2026-27 onwards.

***Comments**: This amendment recognises the integrated nature of agricultural and allied activities carried on by co-operative societies and removes interpretational gaps that previously excluded closely connected ancillary operations from the deduction framework.*

3. Inclusion of multi-state co-operative societies within the definition of "co-operative society"

The existing definition of "co-operative society" covers societies registered under the Co-operative Societies Act, 1912 or under State or Union Territory laws. The Finance Bill, 2026 proposes to expressly include co-operative societies registered under the Multi-State Co-operative Societies Act, 2002 within this definition. The amendment will apply from tax year 2026-27 onwards.

***Comments**: The proposed inclusion removes an unintended statutory omission and ensures uniform tax treatment of multi-state co-operative societies, aligning the definition with the current regulatory framework governing such entities.*

E. SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE

1. Amendment to Advance Pricing Agreements related returns

Under the existing provisions, the facility to file a modified return pursuant to an Advance Pricing Agreement (APA) is available only to the person who has entered into the APA with the Board. There is no corresponding mechanism enabling the associated enterprise (AE) - whose income and tax liability may also be altered as a consequence of the APA-to file a return or a modified return to give effect to such changes, including claiming any consequential refund.

The Finance Bill, 2026 proposes to amend section 169 to provide that where income is modified as a result of an APA entered into with any person, such person shall, and any other person being an associated enterprise may, furnish a return or a modified return, as applicable, in accordance with and limited to the APA. Such return or modified return is required to be furnished within three months from the end of the month in which the APA is entered into, for the tax years covered by the agreement.

The amendment applies to APAs entered into on or after 1 April 2026, and is applicable for tax year 2026–27 and subsequent tax years.

Comments: *The amendment addresses a long-standing procedural gap in the APA framework by extending the return-filing and modification mechanism to associated enterprises whose tax positions are impacted by an APA, despite not being signatories to the agreement. This change improves symmetry and procedural fairness in the implementation of APAs, particularly in cases involving bilateral or multilateral adjustments affecting multiple group entities.*

By enabling affected associated enterprises to file or modify returns and claim consequential refunds, the proposal reduces the risk of economic double taxation, avoids unnecessary litigation, and ensures that APA outcomes are fully and effectively implemented across the group. The time-bound window for filing (three months) also reinforces discipline while providing a clear statutory route for compliance.

F. ATTRACTING GLOBAL BUSINESS AND INVESTMENT

1. Exemption to foreign company for procuring data centre services from a specified data centre

The Finance Bill, 2026 proposes to exempt a foreign company from tax on 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". The exemption is proposed to be available up to the tax year ending 31 March 2047. One of the conditions stipulates that where services are provided to Indian users by the foreign company, such services must be routed through an Indian reseller entity. The proposal also introduces definitions of "data centre", "data centre services", and "specified data centre", the latter being required to be notified by MeitY and owned and operated by an Indian company. The amendment is effective from 1 April 2026 and applies from tax year 2026-27 onwards.

Comments: *This amendment is a long-term tax certainty measure aimed at attracting global cloud and AI-driven data workloads to India while ensuring that the underlying data centre infrastructure remains Indian-owned. The reseller routing condition reflects a policy balance between investment promotion and regulatory oversight over India-facing services.*

2. Allowing expenditure on prospecting of critical minerals as deduction

Section 51 currently allows deferred deduction of expenditure incurred on prospecting, extraction or production of specified minerals listed in Schedule XII. The Finance Bill, 2026 proposes to expand Schedule XII to include additional "critical minerals", thereby making expenditure incurred on prospecting and exploration of such minerals eligible for deduction under the existing framework. The amendment will apply from tax year 2026-27 onwards.

***Comments**: The proposal does not alter the deduction mechanism but widens the scope of eligible minerals, aligning the tax framework with India's strategic focus on securing critical mineral supply chains and encouraging early-stage exploration activity.*

3. Exemption to foreign company for providing capital equipment to electronics manufacturers in customs bonded areas

Schedule IV is proposed to be amended to grant exemption to a foreign company on income arising from providing capital goods, equipment or tooling to an Indian resident contract manufacturer located in a customs bonded area under section 65 of the Customs Act, 1962. The contract manufacturer must produce electronic goods on behalf of the foreign company for consideration. The exemption is proposed to be available up to tax year 2030-31 and will apply from tax year 2026-27 onwards.

***Comments**: This measure provides tax certainty to foreign OEMs supplying capital equipment to Indian electronics manufacturers and supports export-oriented manufacturing models by mitigating potential tax exposure arising from asset placement and equipment provisioning arrangements.*

4. Exclusion of specified presumptive businesses of non-residents from MAT

While certain non-resident businesses opting for presumptive taxation under section 61 are already excluded from Minimum Alternate Tax (MAT), this exclusion does not uniformly apply to all such businesses. The Finance Bill, 2026 proposes to extend MAT exclusion to two additional specified businesses of non-residents, namely the business of operating cruise ships and the business of providing services or technology for setting up an electronics manufacturing facility in India. The amendment applies from tax year 2026-27 onwards.

***Comments**: The amendment seeks to ensure parity and consistency in the MAT regime by aligning the treatment of all specified presumptive taxation businesses, thereby avoiding unintended MAT exposure for non-resident taxpayers operating under simplified taxation schemes.*

5. Exemption to non-residents for rendering services under a notified Government Scheme

The Finance Bill, 2026 proposes to amend Schedule IV to provide tax exemption to a non-resident individual visiting India for rendering services in connection with a notified scheme of the Central Government. The exemption applies to income accruing or arising outside India (and not deemed to accrue or arise in India) for five consecutive tax years commencing from the first tax year in which the individual visits India for such services, subject to prescribed conditions. The amendment applies from tax year 2026-27 onwards.

***Comments:** This provision is aimed at providing tax certainty and incentivising participation of foreign experts in Government-notified initiatives, while ring-fencing the exemption strictly to offshore income and scheme-linked services.*

6. Extension of deduction period for IFSC units and rationalisation of post-deduction tax rate

Currently, units in IFSC are eligible for 100% deduction on specified income for 10 consecutive years out of 15 years, and OBUs for 10 consecutive years. The Finance Bill, 2026 proposes to extend this benefit to 20 consecutive years out of 25 years for IFSC units and 20 consecutive years for OBUs. Further, business income of such units after expiry of the deduction period is proposed to be taxed at a concessional rate of 15%. The amendment applies from tax year 2026-27 onwards.

***Comments:** The extension significantly enhances the long-term competitiveness of IFSC by providing certainty over tax outcomes across the life cycle of financial businesses and ensuring a predictable concessional tax regime even after the deduction period lapses.*

7. Rationalization of dividend exclusion for treasury centres in IFSC

The existing exclusion of certain inter-group advances or loans from the definition of “dividend” is proposed to be rationalised by requiring both group entities to be located in notified jurisdictions outside India, and the parent or principal entity of the group to be listed on a foreign stock exchange as notified by the Central Government. The amendment also introduces statutory definitions of “group entity” and “parent/principal entity” by aligning them with IFSC regulatory frameworks. The amendment applies from tax year 2026-27 onwards.

Comments: *This amendment narrows and clarifies the scope of the dividend exclusion to ensure it applies only to genuine cross-border treasury and financing arrangements within regulated multinational group structures, thereby reducing interpretational ambiguity and potential misuse.*

G. RATIONALISATION OF CORPORATE TAX REGIME

1. Rationalisation of Minimum Alternate Tax (MAT) provisions

Under the existing framework, Minimum Alternate Tax (MAT) at the rate of 15% of book profits applies to companies under the old tax regime, with the excess of MAT over regular tax allowed as a credit that can be carried forward for up to 15 years. The Finance Bill, 2026 proposes to treat MAT paid under the old tax regime as a final tax, with no further MAT credit accumulation. Simultaneously, the MAT rate is proposed to be reduced from **15% to 14%.**

For companies opting for the new tax regime, limited set-off of existing MAT credit is proposed. In the case of domestic companies, MAT credit set-off will be allowed only to the extent of 25% of the tax liability under the new regime. In the case of foreign companies, MAT credit set-off is proposed to be allowed only to the extent of the difference between normal tax liability and MAT for the relevant tax year. These amendments are proposed to apply from tax year 2026-27 onwards.

Comments: *The proposal marks a structural reorientation of the MAT framework, signalling a gradual move away from MAT as a long-term parallel tax system. By making MAT a final tax in the old regime and restricting MAT credit utilization in the new regime, the amendment discourages indefinite deferral and accumulation of MAT credits. At the same time, the marginal rate reduction and transitional set-off mechanism are designed to facilitate a measured and predictable migration to the new corporate tax regime, balancing revenue certainty for the exchequer with transition relief for taxpayers.*

H. RATIONALISATION OF OTHER DIRECT TAX PROVISIONS

1. Rationalization of tax collected at source (TCS) rates

Section 394(1) of the Act provides multiple rates for collection of tax at source (TCS). It is proposed to reduce some of the rates so as to provide relief to the collectees as follows:-

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

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

The amendment provides clarity on the reassessment process under section 147. It confirms that the pre-assessment enquiries under section 148A and issuance of notices under section 148 are carried out by the Assessing Officer, and do not involve NaFAC or its units, which handle only faceless assessment proceedings under section 144B. This clarification is proposed retrospectively from 1st April, 2021 in the 1961 Act and from 1st April, 2026 in the 2025 Act, aiming to reduce litigation and align practice with legislative intent.

Comments: *The amendment clarifies that pre-assessment enquiries are handled by the Assessing Officer, while NaFAC deals only with faceless assessments, promoting clarity and reducing disputes.*

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

Assessments or proceedings shall not be invalid due to any mistake or omission related to a computer-generated DIN, as long as it is lawfully generated and referenced. The new Income Tax Act, 2025, already protects assessments in substance, but courts have sometimes annulled them over minor technical defects. The amendment clarifies this in the 2025 Act (effective from 1st April 2026), ensuring assessments cannot be invalidated on such technical grounds.

Comments: *Clarifying that minor errors in computer-generated DINs do not invalidate assessments reinforces certainty, prevents technical disputes, and keeps focus on substantive compliance.*

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

Section 144C of the Income Tax Act, 2025, deals with assessments for transfer pricing variations or non-residents, allowing the assessee to accept the draft order or raise objections with the DRP. Assessments are finalized one month after acceptance or after DRP directions, overriding sections 153 and 153B. Conflicting court interpretations created uncertainty about timelines. The amendment clarifies that 144C governs finalization, while 153/153B apply only to the draft stage. These changes align the Income Tax Act, 1961 and the Income Tax Act, 2025, Acts, reduce litigation, and are effective retrospectively (1961 Act) and from 1st April, 2026 (2025 Act).

Comments: *By clearly defining timelines for transfer pricing assessments, the amendment aligns the 1961 and 2025 Acts, ensures a predictable process for finalizing assessments, and reduces the scope for litigation.*

5. Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer.

Section 92CA allows the AO to refer arm's length price computations for international or specified domestic transactions to the TPO, who must pass an order at least 60 days before the assessment limitation under sections 153/153B. Courts have differed on how to compute these 60 days, creating litigation. The amendment clarifies the computation to reflect legislative intent and reduce disputes. It is effective retrospectively from 1st June, 2007 (the Income Tax Act, 1961) and from 1st April, 2026 (the Income Tax Act, 2025).

Comments: *Clarifying the 60-day computation for transfer pricing references reinforces legislative intent, reduces disputes, and provides certainty for both taxpayers and authorities.*

6. Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels

The Finance Bill proposes amendments to extend the tonnage tax scheme to inland vessels under the Inland Vessels Act, 2021. Under the proposals, section 227 would clarify that tonnage is determined from the vessel's certificate of registration, section 228 would include inland vessel activities within relevant shipping income, and section 232 would align training requirements with guidelines issued by the Inland Waterways Authority of India. These proposed changes aim to ensure consistency, clarity, and effective compliance for inland vessels under the tonnage tax framework.

Comments: *Extending the tonnage tax scheme to inland vessels and clarifying related provisions brings consistency, simplifies compliance, and ensures the framework works effectively for inland waterway operations*

7. Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets

- Under the existing provisions of the Income-tax Act, 2025, prescribed reporting entities are required to furnish information on transactions in crypto-assets.

- To strengthen compliance and deter non-filing or submission of inaccurate information, it is proposed to introduce penalties:- Rs.200 per day for failure to furnish the statement and Rs.50,000 for providing inaccurate particulars or failing to correct them. These proposals involve amending section 446 to incorporate the penalty provisions. The amendment is proposed to take effect from 1st April, 2026.

Comments: *The amendments aim to ensure timely and accurate reporting of crypto-asset transactions, with penalties for non-compliance, while keeping the core obligations unchanged.*

8. Non-allowability of Interest as a deduction against Dividend Income

Dividend income and income from units of mutual funds are treated as passive investment receipts taxable under "Income from other sources" in the Income-tax Act, 2025. While section 93 currently allows certain deductions, including interest expenditure, subject to a ceiling of 20% of such income, the proposed amendment to section 93(2) clarifies that no deduction shall be allowed for interest incurred in earning dividend or mutual fund income. The amendment is proposed to take effect from 1st April, 2026 and apply for the tax year 2025-26 onwards.

Comments: *The amendment clarifies that interest on dividend or mutual fund income will no longer be deductible, simplifying taxation of passive income.*

9. Exemption for Sovereign Gold Bond

The exemption from capital gains tax under section 70(1)(x) for Sovereign Gold Bonds will now apply only if the bonds are subscribed at the time of original issue and held continuously until redemption on maturity. This change ensures consistent treatment across all series of bonds issued by the Reserve Bank of India. The amendment is proposed to take effect from 1st April, 2026 and will apply to the tax year 2026-27 and onwards.

Comments: *The change ensures that the capital gains exemption on Sovereign Gold Bonds applies consistently, supporting long-term investment while removing ambiguity across multiple issuances.*

10. Increase in tax rates of Securities Transaction Tax

Securities Transaction Tax (STT), introduced in 2004 to facilitate efficient tax collection on transactions in specified securities, has become a key component of the securities market, promoting transparency and exchange-traded activity. To reflect the growth and scale of the derivatives market, it is proposed to revise STT rates: increasing the tax on sale of options in securities from 0.1% → 0.15% of the option premium, on exercised options from 0.125% → 0.15% of the intrinsic price, and on sale of futures from 0.02% → 0.05% of the traded price. These changes aim to curb excessive speculation in futures and options trading. The revised rates are proposed to take effect from 1st April, 2026 for all transactions entered into on or after that date.

Comments: *Raising STT rates on options and futures is aimed at moderating speculative trading, promoting market stability, and ensuring that the tax framework keeps pace with the evolving derivatives market.*

11. Taxation of buyback of shares

- **Tax Reclassification:** Consideration received from a share buy-back will now be taxed as "Capital Gains" instead of being treated as dividend income under section 2(40)(f).
- **Previous Regime (post-Oct 2024):** The entire amount received was treated as "Dividend Income" (Section 2(22)(f)), taxed at the shareholder's applicable slab rate. Simultaneously, the cost of the shares was recorded separately as a capital loss, which could not be set off against the dividend income itself.
- **Proposed in Budget** (effective April 1, 2026): Buy-back proceeds will now be taxed under the head "Capital Gains." This allows investors to subtract the cost of acquisition from the total consideration received, taxing only the actual "economic profit" rather than the gross amount.

These amendments shall take effect from the 1st day of April, 2026.

Feature	Current Regime (Oct 2024 – Mar 2026)	New Regime (Proposed Budget 2026)
Tax Liability	Shareholder pays the tax.	Shareholder pays Capital Gains tax.
Nature of Income	Treated as Deemed Dividend.	Treated as Capital Gains.
Tax Rate (Shareholder)	At Individual Slab Rates (up to 30%+).	12.5% (LTCG) or 20% (STCG).
Cost of Acquisition	Allowed as a Capital Loss only.	Deductible from buyback price.
Promoter Taxation	Same as other shareholders.	Additional "Buyback Tax" on promoters.

Comments:

1. For General Shareholders

Lower Tax Rate: Instead of paying tax at the 30% slab rate on the entire proceeds, investors will now only pay tax on the profit (Buyback Price – Cost of Acquisition) at 12.5% for LTCG and 20% for STCG.

Direct Deduction: You no longer have to treat the cost as a separate "loss" to be carried forward; it is now directly deductible from the proceeds.

2. For Promoters (Corporate & Individual)

The Budget 2026 introduces an additional "Promoter Buyback Tax" to prevent promoters from using buybacks as a cheap way to extract cash:

Corporate Promoters: Effective tax rate of 22%.

Non-Corporate Promoters: Effective tax rate of 30%.

3. For the Company

Compliance: Companies will need to distinguish between "Promoter" and "Non-Promoter" shareholders during the buyback process to apply the correct tax/TDS.

Indirect tax *Proposals*

GOODS AND SERVICES TAX

1. **Post Sale Discounts and related Credit Notes**

a. Earlier, as per Section 15(3) of the CGST Act, 2017 there was requirement to link post-sale discounts to a specific agreement tied to invoices. This requirement has now been proposed to be removed.

b. In line with amendment proposed in Section 15(3), amendment has been proposed to be made in Section 34 of the Act w.r.t issuance of credit notes, wherein the supplier will now simply issue a credit note in respect of the discount, and the recipient needs to reverse the input tax credit attributable to the discount.

c. The above amendments will reduce the compliance burden and streamline the credit note mechanism.

2. **Refunds (Section 54)**

a. A welcome change has been proposed in Section 54(6) of the CGST Act, 2017 wherein provisional refunds which were earlier limited to zero rated supplies has now been extended to Inverted Duty Structure cases also. Now, taxpayers claiming refunds due to an inverted duty structure will also be eligible for provisional refunds.

b. It is proposed to amend Section 54(14) of the Act so as to remove the threshold limit for sanctioning refund claims on goods exported with payment of tax. Earlier refunds below ₹1000/- were not eligible for refund.

3. **Interim Appellate Authority**

a. It has been proposed to insert sub section (1A) in Section 101A of the CGST Act, 2017 whereby the government can empower an existing tribunal or authority to hear appeals under Section 101B until the National Appellate Authority is formally set up.

b. This amendment will take effect from 01-04-2026.

4. **Place of Supply for Intermediary Services**

a. Earlier as per Section 13(8)(b) of the IGST Act, 2017, Place of Supply (POS) in case of intermediary services was location of the supplier of service. This sub clause (b) has been proposed to be removed. Now, the POS will follow the default rule under Section 13(2), making the place of supply to be the location of the recipient.

CUSTOMS AND EXCISE

1. National Calamity Contingent Duty has been proposed to be increased from 25% to 60% w.e.f 01-05-2026 on Tobaco products, namely Chewing tobacco**,** Jarda scented tobacco and others. The effective rate will be maintained at 25% vide notification.

2. The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.

3. **Some of the significant Tariff Changes proposed in the Finance Bill 2026**

COMMODITY	FROM	TO
All dutiable goods, imported for personal use **(w.e.f 01-04-2026)**	20%	10%
Makhana, other roasted nuts and Seeds **(w.e.f 01-05-2026)**	150%	30%
Natural Graphite **(w.e.f 01-05-2026)**	5%	2.5%
Lead waste, Zinc Waste and their scrap **(w.e.f 01-05-2026)**	5%	NIL
Petroleum Crude**(w.e.f 01-05-2026)**	5%	Re. 1 per tonne

4. **Some of the New Tariff introduced w.e.f 01-05-2026**

COMMODITY	RATE OF DUTY
Cranberries, fresh or frozen or dried	10%
Blueberries, fresh or frozen or dried	10%
All goods other than indoor or outdoor units of split-system air Conditioner [8415 90 90]	10%
Battery separators [85079020]	5%
Refrigerated containers [86090010]	5%

5. **Other Miscellaneous amendments**

a. Exemption from BCD is being extended to 17 new drugs/medicines by adding them to List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24th October, 2025 [S. No. III (a) of notification No. 02/2026-Customs dated 1st February, 2026].

b. BCD has been exempted from Compounds, inorganic or organic of rare earth metals w.e.f. 01-05-2026.

c. One-time measure allowing SEZ units to sell to Domestic Tariff Area at concessional duty rates (limited quantity)

d. Removal of requirement of prior permission from the proper officer for moving goods between warehouses.