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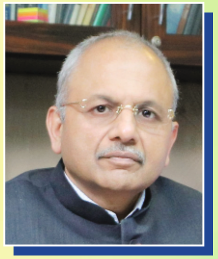
UNION BUDGET
2026-27

Comments on Budget 2026-27



The Finance Minister's speech contains no big-bang announcements on Direct Taxes. For tax professionals, the promised early roll-out of Rules and Forms under the Income-tax Act, 2025 is welcome. However, the Finance Bill's fine print warrants attention—it includes significant amendments, some retrospective, relating to JAO / FAO jurisdiction, DIN requirements, and the due date for depositing employees' PF/ESI contributions. These changes carry far-reaching implications.

CA. ASHWANI KUMAR, FOUNDING PARTNER

The Union Budget emphasizes fiscal consolidation—keeping the deficit within manageable levels—while increasing capital expenditure to drive growth and stability without stoking inflationary pressures. The Government's pragmatic policy approach is poised to place the country firmly on the path of sustained, inclusive, and sustainable growth.

CA. SANJEEVA NARAYAN, MANAGING PARTNER

With GST 2.0 reforms already underway, the Budget's Indirect Tax agenda focuses on Excise and Customs Duty. There are no headline-grabbing rate cuts here. Instead, the approach is measured: strategic duty recalibration, lighter compliance loads, and practical steps to ease business operations—quietly laying the groundwork for sustained economic growth.

CA. ADITYA KUMAR, CEO & PARTNER

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FOREWORD

The early 20th century saw the legendary Henry Ford introduce the **Model-T**, revolutionizing the automobile industry by making personal transportation accessible to the common man. In a decisive mutation, however, the third decade of the 21st century has seen the world roiled by a double **"T"** effect—**Trumpian antics and Tariffs**—forming a labyrinthine maze and a decision-maker's nightmare. In this topsy-turvy world, the Indian nation-state has held its own through deft handling and sagacity exhibited by the political leadership—the strategic outreach to various nation-states and the recent Foreign Trade Agreement with the EU being cases in point. Against this backdrop, the economy appears to have entered what the RBI Governor propounded and the Economic Survey endorses: a **"Goldilocks Phase"** characterized by strong GDP growth and sustained low inflation. Having long surpassed what the late Prof. Raj Krishna termed the "Hindu rate of growth," the Indian economy, on the back of increased public capital investment, infrastructure focus, and structural reforms, expects GDP growth of 6.5-6.8% for FY 2025-26.Concerns, of course, remain: insufficient private capital investment, global geopolitical uncertainty, the Tariff effect, rupee depreciation, fiscal profligacy in States, and the imperative of embracing artificial intelligence.

Union Budget 2026-27 is historic—the first presented on a Sunday, and Smt. Nirmala Sitharaman's ninth consecutive budget, just one short of Shri Morarji Desai's record of ten. Recognizing India's Goldilocks moment and demographic dividend, this is uniquely a "**Yuva Shakti-driven Budget**," inspired by t**hree Kartavyas** from Kartavya Bhawan:

- enhancing productivity;
- fulfilling aspirations and building capacity; and
- ensuring access to resources for every family, community, and sector.

The Budget proposes measures to develop "a supportive ecosystem"—sustaining structural reforms, strengthening the financial sector, and leveraging cutting-edge technologies including AI. Notable is the standout focus on MSMEs, recognizing their recent stress and extraordinary employment potential. The proposal for "Corporate Mitras" as para-professionals in Tier II and III cities to aid MSME compliance is of particular interest to Chartered Accountants, Company Secretaries, and Management Accountants. On Direct Taxes, the commitment to roll out simplified Rules and Forms under the Income-tax Act, 2025, combined with TDS/TCS rationalization and aligned ICDS-Ind-AS provisions, promises glitch-free implementation. However, certain fine-print amendments—many retrospective—carry wide-ranging ramifications. On Indirect Taxes, the effort has been to simplify tariff structures, support domestic manufacturing, and correct duty inversion, with a single digital window for cargo clearance being particularly noteworthy.

Union Budget 2026-27 seeks to maintain continuity—accelerating public expenditure, encouraging private investment, and optimizing India's demographic dividend to sustain its favorable economic moment.

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KEY POLICY Announcements

The Union Budget 2026–27, reflects a clear Yuva Shakti–driven vision for India's next phase of development. Anchored in the Government's Sankalp and structured around three kartavya—sustained economic growth, capability-led aspiration fulfilment, and inclusive access under Sabka Sath, Sabka Vikas—the Budget sets a coherent policy direction. Various reforms and policies have been amended/initiated which have been iterated below:

MANUFACTURING- STRATEGIES & FRONTIER SECTORS

- India Semiconductor Mission (ISM) 2.0 proposed to be launched, to enable domestic manufacturing of semiconductor equipment and materials, promote development of full-stack indigenous intellectual property, and enhance supply-chain resilience.
- With a proposed outlay of ₹10,000 crore over five years, the Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) initiative will position India as a global hub for biologics and biosimilars manufacturing.
- The Government proposed a Scheme for Container Manufacturing aimed at creating a globally competitive domestic container manufacturing ecosystem, with a budgetary allocation of ₹10,000 crore over a five-year period.
- The Electronics Components Manufacturing Scheme, initially outlaid at ₹22,919 crore, has already attracted double the targeted investment. The outlay is proposed to be increased to ₹ 40,000 crore to build on this momentum.

CREATING "CHAMPIONS SME'S"

☒

- Three-pronged approach to help MSMEs grow as 'Champions':
- Equity Support: The Budget proposes the establishment of a ₹10,000 crore SME Growth Fund to nurture future "Champion SMEs" through criteria-based support, along with a ₹2,000 crore top-up to the Self-Reliant India Fund to sustain risk capital access for micro enterprises.
- Liquidity Support: Building on TReDS (Trade Receivables Discounting System), which has enabled over ₹7 lakh crore of MSME financing, the Budget proposes mandating TReDS for CPSE purchases from MSMEs, introducing CGTMSE-backed credit guarantees for invoice discounting, integrating GeM (Government e-Marketplace) with TReDS to facilitate faster and lower-cost financing, and enabling securitisation of TReDS receivables to develop a secondary market and enhance liquidity.
- Professional Support: The Government propose to facilitate professional institutions such as ICAI, ICSI and ICMAI to develop short-term, modular programmes and practical tools to create a cadre of 'Corporate Mitras', particularly in Tier-II and Tier-III towns, to provide MSMEs with affordable compliance and advisory support.

INFRASTRUCTURE SECTOR

- The government propose to establish an Infrastructure Risk Guarantee Fund to offer lenders prudently calibrated partial credit guarantees, which aims to reduce perceived risks for financial institutions and encourage more lending to private developers during high-risk construction phases.
- The government propose to launch a Coastal Cargo Promotion Scheme to incentivize the shift of freight from road and rail to water transport, aiming to double the share of inland waterways and coastal shipping from 6% to 12% by 2047
- A Seaplane VGF (Viability Gap Funding) Scheme proposed to be introduced to support operations and indigenize the manufacturing of seaplanes for better remote connectivity.
- The Rare Earth Permanent Magnets Scheme (launched in November 2025) is proposed now to support Odisha, Kerala, Andhra Pradesh, and Tamil Nadu in establishing dedicated Rare Earth Corridors for mining, research, and

manufacturing.

- Public capital expenditure has been significantly increased to ₹12.2 lakh crore for FY 2026–27 to maintain infrastructure momentum, up from ₹11.2 lakh crore in the previous year.
- The Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) propose to be introduced to strengthen domestic manufacturing of advanced equipment, ranging from residential lifts to tunnel-boring machines.
- One of the key initiatives for state-level growth is a dedicated provision of ₹2 lakh crore in financial assistance to states through the SASCI (Scheme for Special Assistance to States for Capital Investment).
- A ₹20,000 crore investment over the next five years propose to be used to deploy Carbon Capture, Utilization, and Storage (CCUS) technologies at a large scale across five critical sectors: power, steel, cement, refineries, and chemicals.
- To revitalize Tier II and Tier III cities, including temple towns, the government will identify and map City Economic Regions (CER) based on their unique growth potential, providing each with ₹5,000 crore over five years through a performance-based challenge funding model.

SUSTAINABLE AGRICULTURE – FEEDING THE FUTURE RESPONSIBLY

- The Government propose to launch Bharat-VISTAAR, a multilingual AI platform integrating Agri Stack and ICAR (Indian Council of Agricultural Research) practices, to enable technology-led farming with data-driven advisory for enhanced productivity and reduced risks.
- Farmer incomes propose to be supported through reforms in the fisheries sector by undertaking integrated development of 500 reservoirs and Amrit Sarovars.
- The Budget promotes agricultural diversification by supporting high-value crops—coconut, cashew, cocoa, sandalwood (coastal regions); agar trees (North-East); almonds, walnuts (hilly areas)—focused on self-reliance, value addition, and premium global brands by 2030.

FINANCIAL & REGULATORY SECTOR REFORMS

- The Government propose to set up a High-Level Committee on Banking for Viksit Bharat to comprehensively review the banking sector and align it with India's future growth requirements while safeguarding financial stability, inclusion and consumer protection.
- A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules proposed to be undertaken to create a more contemporary and user-friendly framework for foreign investment in line with evolving economic priorities.
- A market-making framework for corporate bonds propose to be introduced with suitable access to funds and derivatives on corporate bond indices. Total return swaps on corporate bonds also propose to be introduced to improve market liquidity, price discovery and risk management.
- Urban financing will be strengthened through incentives for large municipal bond issuances and continued AMRUT (Atal Mission for Rejuvenation and Urban Tranformation) support for smaller towns, while liberalized portfolio investment norms for Persons Resident Outside India will enhance ease of doing business and attract foreign capital.

INVESTMENT IN PEOPLE - HEALTHCARE SECTOR

- The government plans to add 100,000 Allied Health Professionals (AHPs) over the next five years by upgrading existing institutions and establishing new ones across 10 disciplines, including radiology and behavioural health.
- To position India as a global hub for Medical Value Tourism, Government propose to establish five Regional Medical Hubs in partnership with the private sector in supporting states.
- The Government plans to establish three new All India Institutes of Ayurveda, upgrade AYUSH pharmacies and drug testing laboratories to strengthen the certification ecosystem, and enhance the WHO Global Traditional Medicine Centre to support research, training and global credibility of traditional medicine.
- Government proposed to build a robust care ecosystem by training 150,000 multiskilled caregivers through NSQF-aligned programmes integrating core caregiving skills with wellness training, yoga instruction, and medical assistance capabilities.

INVESTMENT IN PEOPLE - EDUCATION SECTOR

- The government propose to support states through a challenge route to create five University Townships. These planned academic zones will be located near major industrial and logistic corridors and will host multiple universities, colleges, research institutions, skill development centers, and residential complexes.
- To encourage female participation in higher education, the budget proposes establishing one girls' hostel in every district that has Higher Education STEM (science, technology, engineering and mathematics) institutions. This initiative will be supported through Viability Gap Funding (VGF) or capital support.
- To provide youth with platforms for advanced scientific exploration government plans to enhance scientific research by setting up or upgrading four Telescope Infrastructure facilities naming - the National Large Solar Telescope, the National Large Optical-infrared Telescope, the Himalayan Chandra Telescope and the COSMOS-2 Planetarium.

OTHER SERVICE SECTORS

- The government aims for India to become a global leader in services, targeting a 10% global market share by 2047 & the establishment of a High-Powered 'Education to Employment and Enterprise' Standing Committee to focus on the Services Sector as a core driver of Viksit Bharat.
- The government propose to establish Content Creator Labs in 15,000 schools and 500 colleges to support the Animation, Visual Effects, Gaming, and Comics (AVGC) sector—projected to require 2 million professionals by 2030—as part of the Orange Economy initiative. Additionally, the government is driving technology-led, inclusive growth through major research and innovation missions. Regulatory frameworks are being simplified by consolidating software development, ITeS, KPO, and contract R&D under a unified "Information Technology Services" category with a 15.5% safe harbour

Fiscal and Economic Overview

1.0%

ESTIMATED FISCAL DEFICIT

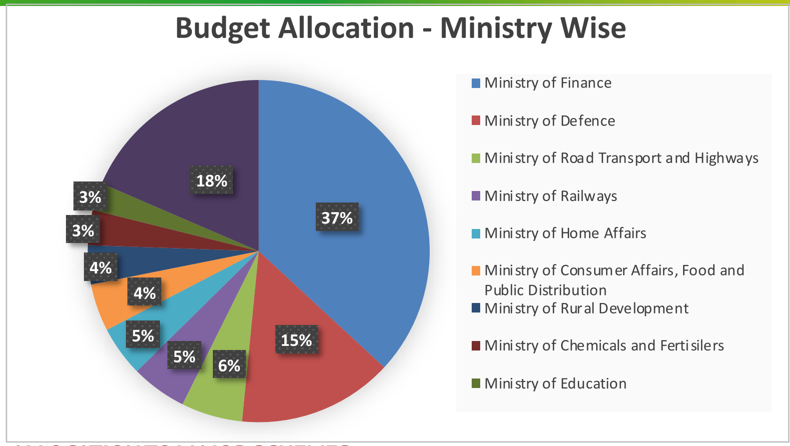
FOR 2025-26 – 4.4% (RE)

FOR 2026-27 – 4.3%

*In pursuit of '**Atmanirbharta**' (self-reliance), the Budget is anchored on three core responsibilities **(Kartavyas)**; first, accelerating and sustaining robust economic growth; second, fulfilling the aspirations of our citizens; and third, ensuring inclusive development aligned with the vision of '**Sabka Saath, Sabka Vikas**' (collective progress with everyone, for everyone).*

KEY ECONOMIC INDICATORS

- The Gross and Net Borrowing from dated during FY 2026-27 are Estimated at ₹17.20 Lakh Crore and 11.70 Lakh Crore respectively.
- The government maintains fiscal prudence while addressing social imperatives, with a strategic objective to achieve a Debt-to-GDP ratio of 50±1% by 2030-31. The trajectory remains positive, with the ratio projected to decline from 56.1% (RE 2025-26) to 55.6% (BE 2026-27). This debt reduction will lower interest payment burdens, consequently releasing fiscal space for priority sector allocation.
- The government has successfully achieved its fiscal deficit target of below 4.5% of GDP, reaching 4.4% in 2025-26 and projecting a further decline to 4.3% in 2026-27. This consolidation is being driven by robust revenue growth, with non-debt receipts and net tax collections showing healthy 7-8% expansion. However, capital expenditure appears to have plateaued at around ₹11 lakh crore, suggesting a recalibration of infrastructure spending priorities while overall expenditure continues to grow moderately at approximately 8%.



ALLOCATION TO MAJOR SCHEMES:

- ₹ 2,27,429 Crore towards Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY).
- ₹ 1,87,293 towards National Highways Authority of India and Rs. 1,21,999 towards Road Works
- ₹ 1,16,805 towards UREA subsidy
- ₹ 95,692 Crore towards Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin)-VB-G RAM G Scheme
- ₹ 67,670 Crore towards Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission.
- ₹ 63,500 Crore towards Pradhan Mantri Kisan Samman Nidhi (PM Kisan)
- ₹ .54,917 Pradhan Mantri Awas Yojna (PMAY)-Rural.

Direct Tax Proposals

The Finance Bill, 2026 introduces key updates for taxpayers for FY/Tax Year 2026-27, while largely retaining existing tax rates and provisions. It aims to streamline compliance, rationalise due dates, simplify filing requirements, rationalise penalties and prosecution.

TAX RATES

- There are no changes in tax rates both in case of new as well as old regime for an Individual/HUF/AOP/BOI/AJP for Tax Year 2026-27. Similarly, the tax rates remain unchanged for Co-operative Societies, Firms, Local Authorities and Domestic Companies.

BUSINESS & PROFESSION

Deduction of Employer PF/ESI

- W.e.f. 01.04.2026, the Employers can now claim deductions for employee contributions to Employee's Welfare Scheme if paid on or before the due date for filing of the income-tax return.

Due Date to file returns changed in certain cases

- It is proposed to change the due date for filing returns to 31st August for assessees having income from profits and gains of business or profession not liable to audit, as well as partners of non-audit firms and their spouses where income is clubbed under Section 10 of Income Tax Act 2025.

MINIMUM ALTERNATE TAX

- Minimum Alternate Tax (MAT) paid on or after 01-04-2026 shall be treated as Final Tax (i.e., no MAT credit against the same will be available). MAT rate reduced from 15% to 14% of Book Profit.
- In Case of Domestic Companies, Set-off of MAT credit is allowed in New Tax Regime to the extent of 25% of the tax liability and in case of Foreign Companies, there is no such change.

TREATMENT OF CONSIDERATION RECEIVED BUY BACK OF SHARES

- **Current Provision**: Amount received on buy-back is treated as dividend income under section 2(40)(f)Cost of acquisition of shares extinguished on buy-back is allowed as capital loss under section 69 (earlier section 49)
- **Proposed Amendment** In case of non-promoter shareholders, gains on buy-back shall be taxable under the head "Capital Gains"Promoters: Effective tax liability on gains @ 30% and Promoter companies: Effective tax liability on gains @ 22%

TDS/TCS

- It is proposed to allow payees to apply electronically before a prescribed Income Tax Authority for issuance of certificate for lower or nil deduction of TDS/TCS in case of small taxpayers subject to fulfilment of prescribed conditions.
- It is proposed that the Resident Individual or Hindu Undivided Family is not required to obtain TAN to deduct tax at source in respect of any consideration payable to Non-resident seller on transfer of any Immovable Property. This will take effect from 01.10.2026.
- The Finance Bill 2026 proposes a **"Single Window"** approach, allowing investors to file a single declaration like Form 15G/15H with their Depository (NSDL/CDSL) for all the investor companies where the investor holds securities. The amendment will take effect from the 1st day of April, 2027.
- It is proposed to specifically include "supply of manpower" within the definition of "Work. Accordingly, TDS rates of Payment to Contractors will be applicable.

Amended rates for collection of TCS are as under-

Nature of Goods	Current Rate	Proposed
Sale of Alcoholic Liquor for human consumption	1%	2%
Sale of Tendu Leaves	5%	2%
Sale of Scrap	1%	2%
Sale of minerals, being Coal, Lignite or Iron Ore	1%	2%
Remittance under the LRS of an Amount exceeding 10 Lakhs for education or medical treatment	5%	2%
Sale of overseas tour programme package	5% of amount upto ₹10 Lacs & 20% if amount exceeds ₹ 10Lac	2%

ASSESSMENT PROCEEDINGS

- With a view to remove ambiguity and litigation, it is proposed to clarify that the power to conduct pre-assessment enquiry and issue notice u/s 148A and 148 shall vest only with the jurisdictional Assessing Officer. The NaFAC shall undertake faceless re-assessment proceedings after the notice is issued, to ensure demarcation between pre-assessment enquiry (AO) and faceless assessment (NaFAC). Effective dates:
  - Income-tax Act, 1961 → Retrospective from 1-4-2021
  - Income-tax Act, 2025 → Applicable from 1-4-2026
- It is proposed that an assessment shall not be treated as invalid merely due to any mistake, defect or omission in quoting DIN, *if the order is referenced by DIN in any manner*. Effective dates:
  - Income-tax Act, 1961 → Retrospective from 1-10-2019
  - Income-tax Act, 2025 → From 1-4-2026
- Section 144C deals with special assessments for non-residents or TP cases, where a draft order is sent to the assessee. The assessee can accept it or file objections with the DRP. Now it is proposed to be clarified that sections 144C(4) and 144C(13) govern the final assessment stage and is independent of 153/153B. Effective Dates:
  - Income-tax Act, 1961 → 1- 4-2009 (153) and 1-10-2009 (153B)
  - Income-tax Act, 2025 → 1-4-2026

PENALTY PROCEEDINGS

- No prosecution is proposed for non-disclosure of foreign assets (other than immovable property) up to ₹ 20 Lacs. It is proposed to be applicable retro-prospective from 01.10.2024.
- With effect from 01.04.2026 (in case of sections 473 to 485 & 494 of the Income Tax Act, 2025) and 01.03.2026 (in section 275A to 278A & 280 of the Income Tax Act, 1961), prosecution provisions are proposed to be rationalised in the following manner:

- Converting rigorous imprisonment → simple imprisonment,
- Reducing maximum term (generally 7 yrs → 2 yrs; repeat offence → 3 yrs),
- Introducing graded punishment based on tax amount exceeding 10 lacs,
- Prescribing fine-only for small cases less than10 Lacs and
- Fully decriminalising certain technical/minor offences.

- In case of another person (third party), the block period is proposed to be restricted only to the relevant year(s) to which undisclosed income pertains to reduce unnecessary compliance and ensuring proportionate assessment. Applicable for search/requisition initiated on or after 01.04.2026.
- The time limit for completing the Block assessment is proposed to be 18 months from the date of initiation of search or requisition, ensuring a uniform timeline for all persons, group cases instead of 12 months from date of the last requisition drawn.
- Penalties for technical defaults are proposed to be converted into administrative/graded fees as follows:
  - Section 446 – Failure to furnish audit report information or inaccurate information on crypto transactions → Fee u/s 428(c) graded ₹75,000– ₹1,50,000
  - Section 447 – Failure to furnish accountant's report under section 172 → Fee u/s 428(4), graded ₹50,000–₹ 1,00,000.
  - Section 454 – Failure to furnish SFT/reportable accounts → Fee under section 427(3); upper limit ₹1,00,000.

  These are proposed to be applied from tax year 2026-27 and onwards.
- Unexplained cash credits, investments, assets, expenditure and hundi transactions, earlier covered under sections 68–69D of the Income-tax Act, 1961 were taxed at a special rate 60% u/s 115BBE. As per the Income Tax Act 2025, sections are 102–106 and the rate of tax is proposed to be reduced to 30%. Applicable w.e.f 1st April 2026 (tax year 2026-27 onwards).
- To reduce litigation, the scope of immunity from penalty/prosecution is proposed to cover the cases of under-reporting of income is in consequence of misreporting of income by paying additional tax 100% and 120% in cases covered by section 102-106. Applicable from 01.04.2026 for AY 2026-27 and onwards. Such immunity is also proposed to be brought in provisions u/s 270AA and prosecution u/s 276C/276CC w.e.f. 01.03.2026 for earlier assessment years.

OTHERS

- The Finance Bill 2026 proposes to extend the deadline for filing a Revised Return from the 9 months to 12 months from the end of the relevant tax year subject to payment of specific fees under Section 428(b) beyond 9 Months (Month 10–12).
- The Finance Bill 2026 proposes to allow to file an updated return to reduce losses already claimed in original return filed. The proposal introduces these changes in the Income Tax Act, 2025 and retrospectively aligns the Income-tax Act, 1961 to ensure a seamless transition for ongoing cases. Further, it is also proposed to allow filing of updated return after issuance of notice of re-assessment u/s 280/148.

Comparison of Terms

Provision	Standard Updated Return	Updated Return Post-Notice
Eligibility	No pending assessment/notice.	Available after notice under Sec 280/148.
Tax/Interest	Base Tax + Interest.	Base Tax + Interest.
Additional Tax	25% to 70% (based on year).	Proposed standard rate + Extra 10%.
Penalty	Immunity generally applies.	Explicit immunity from Section 439 penalty

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

- A Final Opportunity as a one-time "reset button" for resident small taxpayers has been proposed for voluntary declaration of non-disclosed foreign assets/income subject to payment of a specified tax or fee. This shall come into force from the date to be notified by the Central Government.
- Deduction of interest expenditure (allowed under Section 57 up to 20% of income) against dividend income and income from units of mutual funds is proposed to be withdrawn w.e.f. 01.04.2026.
- Increase in Rates of Security Transaction Tax (STT):

Previous Rates

- Sale of option in securities: 0.10% of option price
- Sale of option where the option is exercised: 0.125% of intrinsic price
- Sale of future in securities: 0.02% of traded price

Proposed Rates

- Sale of option in securities: 0.15% of option price
- Sale of option where the option is exercised: 0.15% of intrinsic price
- Sale of future in securities: 0.05% of traded price

- In order to attract investment in data centre and promote artificial intelligence data centre framework in India, it is proposed to amend the Schedule IV to provide exemption to a foreign company, 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, for a period upto tax year ending on 31st March, 2047.
- It is proposed to provide that where income is modified pursuant to Advance Pricing Agreement (APA), the concerned person or any associated enterprise may furnish a modified return of income within three months from the end of the month in which APA is entered into, for tax years covered, where the agreement is entered on or after 1st April 2026.

Indirect Tax Proposals

GST

Revamping Discount Provisions

- Section 15(3)(b) of the CGST Act, governing the exclusion of post-supply discounts from the value of supply, is proposed to be amended by removing the mandate of underlying agreement for reduction of liability. Reduction of GST Liability on account of post-supply discount is now subject to reversal of the corresponding input tax credit by the recipient only. A corresponding amendment to Section 34 of the CGST Act has been made to ensure its operational feasibility.

Tweaks to Section 54

- Provisional refunds are now extended to refund claims arising from an inverted duty structure, in addition to zero-rated supplies, as specified under section 54(5) of the CGST Act, 2017.
- The threshold limit of ₹ 1,000 for sanctioning refund claims has been removed for cases where goods are exported out of India with the payment of tax.

Constitution of Interim Appellate Authority

- With effect from 01/04/2026, an empowering provision has been inserted in the CGST Act, stating that, pending the constitution of the National Appellate Authority for Advance Ruling, an existing authority (which may include a Tribunal) may be empowered to hear appeals under section 101B of the CGST Act.

Implementation of 56th Council Decision on Intermediary Services

- The specific provision relating to intermediary services under Section 13 has been omitted. Consequently, the place of supply for such services will now be determined in accordance with the default provision, i.e., the "location of the recipient." The effective date of this amendment is subject to approval by the GST Council in its subsequent meeting(s). This amendment is expected to bring finality to the ongoing litigation, as intermediary services may now qualify as export of services, subject to fulfilment of the other prescribed conditions.

CUSTOMS ACT, 1962

- Several legislative changes are proposed to streamline administrative processes and provide clarity on rulings:
- **Advance Rulings Validity:** Section 28J is being amended to limit the validity of advance rulings to five years or until there is a change in law or facts, whichever is earlier. Existing rulings can be extended for five years upon request by the applicant.
- **Warehouse Goods Removal:** Section 67 is being substituted to allow the owner of warehoused goods to move them between bonded warehouses without requiring prior permission from a proper officer, subject to prescribed conditions.
- New Baggage Rules, 2026 to be effective from 2nd Feb'2026 with certain relaxations

Creation of New Tariff Lines

- To further simplify the tariff structure, new tariff items will be created effective May 1, 2026 as under:
  - Wet Blue Leather: Specifically for hides and skins (e.g., 4104 11 10, 4105 10 10) with a Nil duty rate.
  - Battery Separators: Categorized under tariff item 8507 90 20 with a 5% duty rate.

Extension of Sun-Set Date for Certain Exemptions (Notification No. 45/2025)

- 102 entries continue to be exempted/taxable at concessional rate till 31.03.2028, including those for Polytetramethylene ether glycol (PT MEG), Pneumatic tyres, Forged steel rings for manufacture of special bearings, Ferrous Scrap, Medical/Surgical instruments, parts for LED lights, and goods for paper and newsprint manufacture.
- 22 entries will expire on 31.03.2026 including metal parts for electrical insulators, pipes for boilers, and certain photographic/sound recordings.
- Entries for Ethylene Vinyl Acetate (EVA), Other screws and bolts, nuts and other non-threaded articles and certain aircraft tyres are being omitted as redundant, with rates now applied through the First Schedule of the Customs Tariff Act.

TARIFF RATE CHANGES

	Now (%)	Proposed	Effective Date
Goods for Personal Use (9804)	20	10	01.04.2026
Coal, Lignite, and Peat	5	2.5	01.05.2026
Petroleum Crude	5	Re 1 per tonne	01.05.2026
Potassium Nitrates & Lithium Carbonates	7.5	Nil	01.05.2026
Lead Waste and Scrap	5	Nil	01.05.2026
Hand-drawn Plans/Drawings	10	Nil	01.05.2026
Seeds, fruit and spores, of a kind used for sowing	30	7.5	01.05.2026
Artificial Graphite; colloidal or semi-colloidal graphite	7.5	15	01.05.2026
Reactors, columns or towers or chemical storage tanks	10	2.5	01.05.2026
Refrigerated containers	Nil	7.5	01.05.2026
Lithium oxide and hydroxide	7.5	5	01.05.2026
Lead waste and scrap	5	Nil	01.05.2026
Potassium Hydroxide	Nil	Nil	02.02.2026

SECTORAL ANALYSIS

INFRASTRUCTURE

Infrastructure-Strengthening infrastructure-led growth, the focus is on developing City Economic Regions (CERs) in Tier II and Tier III cities, expanding sustainable passenger mobility through seven High-Speed Rail corridors, and improving regional connectivity via indigenous seaplane operations. These initiatives will decentralise growth, boost tourism and investment, and integrate remote regions into the national economy. Sustainable logistics will be strengthened through Dedicated Freight Corridors, 20 National Waterways, and a Coastal Cargo Promotion Scheme, lowering logistics costs. Further, the Infrastructure Risk Guarantee Fund and Central Public Sector Enterprises (CPSE) asset monetisation through Real Estate Investment Trusts (REITs) will reduce project risk, crowd in private capital. Additionally, Carbon Capture Utilization and Storage expansion across five industries with ₹20,000 crore investment will drive decarbonisation, industrial sustainability, and accelerate India's low-carbon transition. To boost tourism infrastructure, five destinations with 4,000 e-buses will be developed alongside Buddhist circuit enhancements in the Northeast, enhancing regional connectivity, preserving heritage, and promoting sustainable cultural tourism.

HEALTHCARE

The Union Budget 2026–27 strengthens India's position in traditional and integrated healthcare by expanding the AYUSH ecosystem through new All India Institutes of Ayurveda, upgraded pharmacies and testing labs, and enhanced support to the WHO Global Traditional Medicine Centre at Jamnagar.To boost medical tourism, five Regional Medical Hubs are proposed via state–private partnerships, integrating healthcare delivery, education, research, AYUSH services, and rehabilitation, while creating employment for healthcare professionals. These measures are expected to support wellness exports and reinforce India's global healthcare presence.Further, the establishment of a NIMHANS centre in North India, upgradation of mental health institutes, and expansion of trauma care capacity in district hospitals will improve access to critical care and strengthen public health resilience.

AGRICULTURE & RURAL

The Third Kartavya supports the vision of Sabka Saath, Sabka Vikas by promoting Viksit Bharat. The Union Budget 2026 marks a strategic shift, as the Government aims to move beyond simple production targets and instead focus on maximising profitability and economic returns for farmers.As the world's leading coconut producer, India will introduce a Coconut Promotion Scheme to enhance competitiveness through various interventions, including the removal of unproductive trees and initiatives to increase productivity. Dedicated programmes aim to position Indian cashew and cocoa as premium global brands by 2030. The Government also plans to partner with States to revive sandalwood ecosystems.

Key Budget initiatives include the integrated development of 500 reservoirs and Amrit Sarovars. These measures also involve strengthening fisheries value chains in coastal areas, creating market linkages, and providing animal husbandry support through a Credit-Linked Subsidy Programme. The plan further includes modernising livestock enterprises and expanding poultry value chains. Bharat-VISTAAR, a multilingual AI platform, has been proposed to provide farmers with real-time, customised advisory services, enabling data-driven decision-making for improved yields. Self-Help Entrepreneur (SHE) Marts will be established as community-owned retail outlets within cluster-level federations. Enhanced and innovative financing mechanisms will support women in becoming business owners and entrepreneurs.

BANKING AND FINANCIAL SECTOR

The Budget proposes the introduction of a market-making framework for corporate bond indices, supported by appropriate access to funding and derivative instruments. It also suggests the introduction of total return swaps (TRS) on corporate bonds. Further, the Government proposes to incentivise large cities to issue high-value municipal bonds of ₹1,000 crore or more by providing a reward of ₹100 crore per qualifying issuance. Aligned with the existing AMRUT scheme, this measure is expected to catalyse municipal bond issuances not only in small and medium towns but also across larger cities.

A High-Level Committee on Banking for Viksit Bharat will be constituted to review the banking sector and align it with India's next phase of economic growth. A clear vision has also been outlined for Non-Banking Financial Companies (NBFCs), with a focus on credit growth and technology adoption. In addition, plans have been announced to restructure the Power Finance Corporation (PFC) and the Rural Electrification Corporation (REC) to enhance scale and operational efficiency in public sector NBFCs. The Foreign Exchange Management (Non-Debt Instruments) Rules are proposed to undergo a comprehensive review to establish a more contemporary and investor-friendly regulatory framework, in line with India's evolving economic priorities. The Budget also signals a strong push to attract greater capital market investments by doubling the permissible investment limit for individual Persons Resident Outside India (PROIs) in Indian companies from 5% to 10% per company, and increasing the aggregate investment limit for all PROIs from 10% to 24%.

Impact: These reforms signal India's commitment to creating sophisticated, liquid capital markets that can channel long-term capital efficiently while strengthening the financial intermediation ecosystem. The liberalisation of foreign investment norms and bond market infrastructure will enhance India's attractiveness as an investment destination and support infrastructure financing needs critical for achieving Viksit Bharat.

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