

# INDIA UNION BUDGET 2026

**KEY HIGHLIGHTS FROM  
AN INTERNATIONAL PERSPECTIVE**

The Honourable Finance Minister, Nirmala Sitharaman, in her ninth consecutive Union Budget, places a three-fold thrust on structural reforms, a robust and resilient financial sector and cutting-edge technologies, including artificial intelligence.

The Finance Bill categorises the tax proposals under eight broad categories, including but not limited to (a) Supporting the Information Technology sector as India's growth engine; (b) Attracting global business and investment; (c) Rationalisation of the corporate tax regime and other provisions.

In light of the above, we are highlighting the key tax proposals relevant from an international business and investor's perspective.

### Review of exchange control regulations and financial sector reforms

Comprehensive review of Foreign Exchange Management (Non-debt Instruments) Rules to be undertaken with the objective of creating a more contemporary and user-friendly framework for foreign investments into India.

Also, a high-level committee on banking to be set up to undertake a comprehensive review of the Indian banking sector.

### Income Tax rates

- ▶ No changes in personal tax slabs and corporate tax rates.
- ▶ Reduction in Minimum Alternate Tax (MAT) from 15% to 14%.
- ▶ MAT not applicable to all non-resident taxpayers opting for presumptive tax regimes.
- ▶ No new MAT credit allowable from fiscal year 2026-27.
- ▶ No set off of MAT credit (accumulated up to 31 March 2026) under old regime. Set off, up to 25% of tax liability for a year, allowable only under new tax regime.
- ▶ As a part of the government's efforts to curb excessive speculation in the derivatives market, significant increase in the Securities Transaction Tax (STT) rates proposed. The STT on futures has been raised from 0.02% to 0.05%, while the STT on options has increased from 0.1% to 0.15%.

### Major boost to Information Technology sector including Global Capability Centres (GCCs)

- ▶ A common safe harbour margin of 15.5% on cost is provided for Information Technology (IT) service providers (with turnover of up to INR 2 billion). This covers software development, Information Technology-enabled service providers, Knowledge Process Outsourcing, and contract Research & Development relating to software. The common margin of 15.5% replaces the earlier regime, where segments had different margins ranging from 17% to 24%. A reduction in safe-harbour margins has been a long-standing ask of the sector and will provide a significant boost to the further growth of global capability centres in India.
- ▶ Unilateral Advance Pricing Agreements (APA) for IT services to be fast-tracked with a completion period of up to two years.

### Promoting investments in data centres

- ▶ A long-term tax holiday up to fiscal year 2047 has been provided for foreign companies offering cloud services to global customers through India-based data centres. Key conditions to be met are (a) physical infrastructure/ resources are not owned/ operated by such foreign company, (b) data centre services to Indian users should be routed through the Indian entity.
- ▶ Also, to provide certainty from a transfer pricing perspective, a safe harbour margin of 15% on cost has been proposed for data centre services to related parties.

### Streamlining business models for contract manufacturing

- ▶ Income of foreign companies from supply of capital goods, equipment, or tooling to contract manufacturers in custom bonded zones in India to be exempt from income tax for five years.
- ▶ Safe harbour margin of 2% on invoice value is prescribed for non-resident entities undertaking component warehousing in custom bonded warehouses serving manufacturing operations.

### Extension of tax holiday in International Financial Services Centre (IFSC) and reduction of tax rate post-holiday period

Period of tax holiday for Offshore Banking Units (OBUs) extended from 10 to 20 consecutive years and for IFSC units from 15 to 20 consecutive years out of 25 years. Business income of OBUs and IFSC units after the expiry of the tax holiday period to be taxed at a beneficial rate of 15% instead of the existing rate of 22% or 30%.

### Rationalisation of IFSC provisions

Loans or advances provided by treasury centres in IFSC shall not be considered as deemed dividends provided such loans or advances are given to a group entity (located in a notified overseas jurisdiction) and the shares of the parent entity are listed in a notified overseas stock exchange. Also, the definition of certain terms, such as group entity and parent entity, aligned with IFSCA regulations.

### Tax on buyback of shares

- ▶ Gains on buyback of shares to be taxed as capital gains as against dividend income currently.
- ▶ In respect of promoters, tax on buyback of shares shall be higher as under:

Type of gain	Promoters	
	Domestic Company	Other than Domestic Company
Short Term Capital Gain	2%	10%
Long Term Capital Gain	9.5%	17.5%
Effective tax rate	22%	30%

### Compliance related

- ▶ Overseas associated enterprises to file modified tax return (after conclusion of Advance Pricing Agreement) within three months (from the month-end in which the agreement was entered into).
- ▶ Decriminalisation of several non-compliances (such as failure to withhold tax) by reducing the nature or period of punishment.

### Goods and Services Tax (GST)

Place of supply of intermediary services to be now the location of the service recipient, thus the service originating from India to be treated as an export. Though the import of such services is liable for GST under reverse charge.

### Customs duty

- ▶ To simplify the process of ascertaining duty rate, the Finance Bill proposes to incorporate effective rates in various exemption notifications in the Indian Customs Tariff schedule itself.
- ▶ Tier-2 and Tier-3 accredited importers under the Authorised Economic Operator scheme to be eligible to defer their customs duty payment by 30 days, as against 15 days.
- ▶ Validity of Advance Rulings under Customs to be now five years, as against three years.

### One-time relaxation for Special Economic Zone:

In order to cope with global trade disruption and under-utilisation of capacity, eligible Special Economic Zone Units, permitted to sell their manufactured products in domestic market at a concessional customs duty. The limit for such sales would be notified and the quantum would depend on their exports.

### BDO's take

The Union Budget 2026-27 provides long-term tax certainty and boosts investor confidence, strengthening India's status as an attractive hub for global investment. Incentives for IFSC, the technology sector, and data centres, along with the implementation of compliance reforms like decriminalisation and faster APAs, would reduce dispute risks and improve transfer pricing certainty. For multinationals, this Union Budget lays the groundwork for stable tax results and ongoing growth, particularly in technology-driven sectors and global capability centres.

## ABOUT BDO

### ABOUT BDO GLOBAL

BDO is a leading professional services organisation with a presence in 169 countries and territories, and +94,900 people working out of 860+ offices. We endeavour to deliver an exceptional client experience through a tailored solutions approach, while partnering with our employees and clients globally.

### ABOUT BDO INDIA

BDO India offers Assurance, Tax, Advisory, Managed Services, Technology Products & Solutions, and Digital Services for both domestic and international clients across industries. The team at BDO India consists of over 11,000\* professionals led by more than 350 partners and directors operating out of 19 offices, across 14 key cities.



\*Includes employees from BDO RISE and BDO EDGE

## Contact Us



**SAMIR SHETH**  
International Liaison Partner  
Managing Partner / Deal Advisory  
BDO India  
[samirsheth@bdo.in](mailto:samirsheth@bdo.in)



**MUNJAL ALMOULA**  
Managing Partner  
Tax & Regulatory Advisory  
BDO India  
[munjalalmoula@bdo.in](mailto:munjalalmoula@bdo.in)

For queries regarding our services, please [get in touch](#) with us  
For any other queries or feedback, kindly write to us at [marketing@bdo.in](mailto:marketing@bdo.in)

Ahmedabad | Bengaluru | Bhopal | Chandigarh | Chennai | Coimbatore | Delhi | Goa | Hyderabad | Kochi | Kolkata | Mumbai | Pune | Vadodara

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO India Services Private Limited to discuss these matters in the context of your particular circumstances. BDO India Services Private Limited, its directors, promoters, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO India Services Private Limited or any of its directors, promoters, employees or agents.

BDO India Services Private Limited, a private limited company incorporated in India, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member entities.

BDO is the brand name for the BDO network and for each of the BDO Member Entities.

Copyright © 2026 BDO India LLP. All rights reserved. Published in India.

Visit us at [www.bdo.in](http://www.bdo.in)

