

INDIA UNION BUDGET 2026

KEY TAKEAWAYS



01 Incentives to Foreign Companies

- ▶ Tax Holiday until 2047 to foreign companies on income earned from 'data centre services', subject to satisfaction of certain conditions
- ▶ Tax holiday also proposed in respect of income of foreign companies from supplying capital goods, equipment, or tooling to a contract manufacturer in India until tax year 2030-31, subject to satisfaction of certain conditions

02 Transfer Pricing Regulations

- ▶ Clubbing of services under a single category of information technology services with a common safe harbour margin of 15.5%
- ▶ Safe Harbour Rules: Turnover threshold raised to INR 20,000mn, uniform margin of 15.5% for IT service category and safe harbour period of 5 years at the choice of the taxpayer
- ▶ Clarifications provided regarding the time limit for completion of the assessment and the manner of computation of 60 days for passing the order by the Transfer Pricing officer
- ▶ Unilateral Advance Pricing Agreements (APAs) for IT services to be concluded within 2 years
- ▶ Provisions of filing modified tax return under APA have been extended to Associated Enterprises, to enable such Associated Enterprises to claim refund of any additional taxes paid or withheld

03 Minimum Alternate Tax (MAT)

- ▶ MAT to be treated as final tax with proposed rate to be reduced from 15% to 14%, and the concept of 'MAT credit' is proposed to be abolished under the Old Tax regime for companies
- ▶ Companies governed under the Old Tax regime not to be eligible for MAT credit accumulated till 31 March 2026 unless such companies opt for the New Tax regime. MAT credit to be restricted to 25% of tax liability, and the balance to be carried forward to subsequent years

- ▶ Income from **Buyback of shares** proposed to be taxed as 'capital gains' as against 'dividend'. Promoter shareholder to pay additional tax ranging from 2% to 17.5%, depending on the category of the promoter shareholder, whether of a domestic company or others

05 Rationalisation of Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) provisions

- ▶ Clarification provided for the TDS rate applicable on supply of manpower services
- ▶ Multiple rates for TCS are proposed to be rationalised by providing a uniform rate of 2% for the majority of cases
- ▶ Provisions proposed for decriminalisation of TDS/ TCS defaults in certain cases

06 Exemption, subject to certain conditions, to the global income of a non-resident expert for a stay period of 5 years under notified schemes

07 A time-bound **Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS 2026)** has been proposed to be introduced for voluntary disclosure of foreign assets and/or income. The Scheme to prescribe the rules to compute the value of assets, income, taxes and penalties and the procedures for payment, order, etc.

08 Customs

- ▶ Proposal to weed out certain long continuing customs duty exemptions given to some goods where the imports are negligible. It is also proposed to incorporate certain effective customs duty rates in the Tariff Schedule, for ease and transparency
- ▶ Validity of Advance Rulings (AR) being extended from the current 3 years to 5 years, including on subsisting ARs
- ▶ Deferment of Customs duty payment for accredited, AEO T-2 and T-3 importers to be extended from the existing 15 days to 30 days
- ▶ Movement of warehoused goods to another warehouse to be permitted without approval from authorities, subject to prescribed conditions

09 GST

- ▶ Requirement of linking post-sale discount with a pre-existing agreement for such discounts, to be dispensed with; however, subject to the buyer reversing the corresponding GST Credit
- ▶ 'Place of Supply' of Intermediary service would now be the location of the service recipient, thus service originating from India would be treated as 'export'. However, import would be liable for GST under Reverse Charge.

10 As a one-time measure, **eligible SEZ Units** to be allowed to sell goods manufactured by them into DTA (certain proportion of exports) at a concessional custom duty

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