INDIA BUDGET

2026

For Private Circulation Only

INDEX

FOREWORD

The Union Budget 2026 presents a structured and forward-looking policy framework, aligned with the Government's three core Kartavyas accelerating economic growth, fulfilling citizen aspirations, and ensuring equitable access to opportunities within the long-term vision of Viksit Bharat 2047. The Finance Minister's articulation of India's macroeconomic performance over the past decade underscores policy continuity, fiscal discipline, and sustained growth of approximately 7%, supported by an ongoing emphasis on structural reforms.

Infrastructure and Connectivity

Infrastructure remains the principal driver of economic expansion. The announcement of seven high-speed rail corridors connecting key economic centres positions connectivity as a catalyst for productivity, logistics efficiency, and regional development. Public capital expenditure has been enhanced to ₹12.2 lakh crore, reaffirming the Government's infrastructure-led growth strategy.

This focus is complemented by a broader transport modernisation agenda encompassing new national waterways, a dedicated freight corridor, and enhanced domestic capacity in construction equipment under the Make in India initiative. The proposed City Economic Regions reflect a strategic shift towards strengthening Tier-2 and Tier-3 cities as emerging growth hubs.

Manufacturing, Innovation and Technology

The launch of India Semiconductor Mission (ISM) 2.0, with an outlay of ₹40,000 crore, signals a decisive move towards establishing a comprehensive semiconductor ecosystem spanning design, manufacturing, materials, and R&D. The Biopharma SHAKTI initiative, supported by ₹10,000 crore over five years, aims to enhance India's global competitiveness in pharmaceuticals through strengthened research infrastructure and clinical trial capacity.

Additional support for electronics manufacturing, textiles, rare-earth mineral development, and legacy industrial clusters reinforces the Government's intent to deepen manufacturing capabilities and promote technological self-reliance.

MSMEs, Skills and Employment

MSMEs continue to remain a policy priority, with the announcement of a ₹10,000 crore SME Growth Fund, enhanced capital support to the

Self-Reliant India Fund, and measures to improve liquidity, payment discipline, and technology adoption. Skill development initiatives, including sector-focused upskilling and university townships aligned with industrial corridors, aim to strengthen workforce readiness and improve employment outcomes.

Inclusive Development and Healthcare

The Budget reinforces its commitment to inclusive growth through investments in social infrastructure such as girls' hostels, expansion of Ayush facilities, and enhanced mental healthcare institutions. The exemption of customs duties on critical cancer and rare-disease medicines is a significant step towards improving healthcare affordability and access.

Capital Markets and Investment Climate

To deepen capital markets and attract global capital, the Budget liberalises non-resident participation in listed equities, enhances FPI investment limits, and proposes market-making frameworks for corporate and municipal bonds. Measures such as Total Return Swaps and CPSE-focused REITs are expected to improve liquidity and facilitate efficient asset monetisation.

Taxation and Compliance Reforms

A landmark reform is the introduction of the new Income Tax Act, 2025, effective April 1, 2026, aimed at simplifying tax laws, improving clarity, and reducing litigation without altering tax rates. Additional measures include extended timelines for revised returns, rationalisation of TCS on education and medical remittances, calibrated adjustments to STT to moderate excessive speculation, reforms in buyback taxation, MAT credit utilisation, and a one-time disclosure scheme for undisclosed foreign assets.

Fiscal Outlook

The fiscal deficit target of 4.3% of GDP for FY27 reflects continued commitment to fiscal consolidation, while sustaining investments in long-term growth enablers manufacturing, infrastructure, technology, and social development.

In our view, Union Budget 2026 reflects a balanced and pragmatic policy approach combining growth orientation with fiscal prudence, and reform momentum with macroeconomic stability providing a supportive environment for businesses, investors, and long-term economic transformation.

❑❑

BUDGET HIGHLIGHTS

Economy

- Fiscal deficit at 4.4% of GDP in RE (Revised Estimate) for the FY 2025-26 and 4.3% BE (Budgeted Estimate) for the FY 2026-27.
- For the year 2026-27, the total receipts other than borrowings and the total expenditure are estimated at ₹ 36.5 lakh crore and ₹ 53.5 lakh crore respectively.
- The net tax receipts are estimated at ₹ 28.7 lakh crore.
- The fiscal deficit is estimated at 4.3% of GDP.

Budgetary Allocations

- ₹ 53,47,315 crores allocated for the Total Budgeted Expenditure. Major budget allocations are in the following sectors:
- ₹ 19,72,509 crores allocated to Finance.
- ₹ 7,84,678 crores allocated to Defence.
- ₹ 3,09,875 crores allocated to Road Transport and Highways.
- ₹ 2,81,377 crores allocated to Railways.
- ₹ 2,55,234 crores allocated to Home Affairs.
- ₹ 2,39,521 crores allocated to Consumer Affairs, Food and Public Distribution.
- ₹ 1,97,023 crores allocated to Rural Development.
- ₹ 1,77,061 crores allocated to Chemical and Fertilizers.
- ₹ 1,40,529 crores allocated to Agriculture and Farmers' Welfare.
- ₹ 1,39,289 crores allocated to Education Sector.
- ₹ 1,06,530 crores allocated to Health and Family welfare.
- ₹ 1,02,267 crores allocated to Communications.
- ₹ 94,808 crores allocated to Jal Shakti.
- ₹ 85,522 crores allocated to Housing and Urban Affairs.

- ₹ 38,261 crores allocated to Science and Technology.
- ₹ 32,915 crores allocated to New and Renewable Energy.
- ₹ 32,666 crores allocated to Labour and Employment.
- ₹ 30,443 crores allocated to Petroleum and Natural Gas.
- ₹ 29,997 crores allocated to Power.
- ₹ 28,183 crores allocated to Women and Child Development.
- ₹ 24,566 crores allocated to Micro, Small and Medium Enterprises (MSME).
- ₹ 24,124 crores allocated to Atomic Energy.
- ₹ 22,119 crores allocated to External Affairs.
- ₹ 21,633 crores allocated to Electronics and Information technology.
- ₹ 17,844 crores allocated to Commerce and Industry.
- ₹ 15,422 crores allocated to Tribal Affairs.
- ₹ 15,357 crores allocated to Social Justice and Empowerment.
- ₹ 13,706 crores allocated to Space Industry.
- ₹ 9,886 crores allocated to Skill Development and Entrepreneurship.
- ₹ 5,562 crores allocated to Corporate Affairs.
- ₹ 5,513 crores allocated to Law and Justice.
- ₹ 2,438 crores allocated to Tourism.

Direct Taxes

- The New Income Tax Act, 2025 will come into effect from 1st April 2026.
- News Rules / forms will be notified shortly.
- TCS rate on overseas tour package to be reduced to 2%.
- TCS on pursuing education & medical purposes to be reduced to 2%.
- Interest awarded by Motor Accident Tribunal to be exempted.

- Scheme to be introduced for small taxpayers to obtain Lower/ NIL TDS deduction certificate electronically.
- Supply of manpower to be brought under ambit of payment to contractor for purpose of TDS.
- TDS on sale of immovable property by NRs to be deposited by Resident buyers using PAN based facility proposed to be introduced.
- Facility to submit Form 15G/15H available for income from securities.
- Time limit to file revised income tax return to be extended from Dec. 31 to March 31 with nominal fee.
- Timeline to file income tax return for business and profession extended to August 31.
- Updated Return to be allowed to reduce the loss claimed in original return.
- Updated Return to be allowed to be filed even after reassessment proceedings have been initiated at an additional 10% tax rate.
- Interest expense not to be allowed against dividend income
- Foreign Asset Disclosure scheme for disclosure of assets, for a certain category of taxpayers.
- Proposal to integrate assessment & Penalty proceedings via a common order for both.
- Quantum of tax pre-payment to file appeal to be reduced from 20% to 10%.
- No penalty for non-disclosure of Foreign Assets below ₹ 20 lakhs
- Threshold for safe harbour enhanced for IT/ ITE services
- Common safe harbour margin of 15.5% for IT/ITE services, to be approved by automated process, not tax officer; Can be continued for 5 years at a stretch.
- Safe Harbour margin of 15% on costs for Data centre cos. proposed.
- Unilateral APAs for IT Cos to be fast tracked.

- Deduction in respect of contribution to employee welfare fund by the employer allowed if paid till due date of filing of return.
- Decriminalisation of certain offences and minor offences to attract fine only
- 'Tax Holiday' till 2047 for foreign companies providing cloud services.
- Exemption for Non-resident experts engaged in specified activity
- Tax holiday period for IFSC units extended and post-tax holiday period tax rate reduced
- Proposal to integrate ICDS into IND-AS itself, separate ICDS to be done away with; Set-up MCA & CBDT joint committee for this.
- Proposals to rationalise the definition of 'accountants'.
- Proposes to tax all buy-back of shares as capital gains. Promoters to pay additional tax on buy-back.
- Proposal to raise STT on futures and options.
- No MAT credit accumulation from April 1, 2026; Final MAT rate to be reduced to 14% (from 15%).
- Setoff of MAT credit allowed for companies in the new regime subject to limits.
- Exemption of MAT for NRs declaring income under presumptive taxation.
- Penalty and Prosecution provisions rationalized
- Retrospective amendments proposed to clarify various litigative matters

Indirect Taxes

Excise

- Revision of National Calamity Contingent Duty (NCCD) rates on specified tobacco products under the Seventh Schedule to the Finance Act, 2001, enhancing the notified rates from 25% to 60% while retaining the effective levy at 25%.
- Central Excise on blended CNG will now be computed excluding the value of Biogas and the GST paid thereon, effective 02-Feb-2026.

- The additional excise duty of ₹2 per litre on unblended diesel has been deferred till 31-Mar-2028.

Customs

- Fishing and related activities by Indian-flagged fishing vessels: The jurisdiction of the Customs Act is proposed to be extended to fishing and related activities undertaken beyond India's territorial waters. A new definition of "Indian-flagged fishing vessel" is proposed, along with a new Section 56A to permit duty-free import of fish harvested beyond territorial waters, treat fish landed at foreign ports as exports, and enable prescription of regulatory norms.

- Validity of Advance Rulings: Validity of advance rulings under Section 28J(2) is proposed to be extended from three years to five years, or until change in law or facts. Existing rulings may also be extended to five years upon request.

- Removal of goods from Bonded Warehouse: Prior permission of the proper officer for removal of goods from one bonded warehouse to another is proposed to be dispensed with.

- Regulations regarding goods imported or to be exported by post/ courier: CBIC's regulatory powers are proposed to be expanded to include custody of goods imported or exported by post or courier.

- Penalty u/s. 28: Penalty paid under Section 28(5) is proposed to be deemed as a charge for non-payment of duty.

- Duty Deferment: Duty deferment period for AEO T-2 and T-3 importers is enhanced from 15 days to 30 days. Duty deferment benefit is also extended to Eligible Manufacturer Importers up to 31.03.2028.

- Baggage Rules: New Baggage Rules, 2026 notified effective 02.02.2026, enhancing duty-free allowances and streamlining procedures. Multiple existing baggage regulations are consolidated into the Baggage (Declaration & Processing) Regulations, 2026.

- Trust based systems: Budget announcements include reduced physical verification, e-seal-based export clearance from factory to port, early release of goods, shift to warehouse operator-centric systems, roll-out of Customs Integrated System, and expanded non-intrusive scanning.

- The First Schedule to the Customs Tariff Act, 1975 is being amended to, add 148 new tariff entries in chapter 03, 08, 12, 13, 20, 21, 22, 25,26, 28, 29, 33, 39, 41, 47, 48, 73, 81, 84, 85, 86, substitute/delete 54 tariff entries and amend 2 tariff entries in chapter 29 and 1 tariff entry in chapter 85.
- Duty-free import limit for specified goods used in seafood processing is increased from 1% to 3% of FOB export value.
- Export period for textile and leather products is extended from six months to twelve months.
- Duty exemption on inputs for manufacture of leather/synthetic footwear is extended to exporters of shoe-uppers.

Goods and Service Tax

- Post-Sale Discounts (Sections 15(3) & 34): Removes mandatory pre-supply agreement linkage for post-sale discounts; suppliers can issue credit notes under Section 34 if buyer reverses ITC. This eases documentation, aligns with business practices, cuts disputes/litigation, and improves cash flow for retail/B2B sectors.
- Export Refunds (Section 54(14)): Eliminates ₹1,000 minimum threshold for refund claims on goods exported with IGST payment. This benefits the small exporters/MSMEs.
- Inverted Duty Refunds (Section 54(6)): Extends 90% provisional refund facility to inverted duty structure cases.
- Transition of National Appellate Authority (NAA) (Section 101A(1A), w.e.f. 1.4.2026): Allows Central Govt to notify existing authorities/tribunals to hear advance ruling appeals (sec 101B) until NAA is constituted.
- Deletion of Section 13(8)(b) entirely: Resultantly, the Place of Supply for Intermediary Services will now be determined under Section 13(2) of the IGST Act, 2017.

Special Economic Zone

- To address the concerns about utilization of capacities by manufacturing units in SEZs due to global trade disruptions, the Hon'ble Finance Minister in her budget speech, has proposed a special one-time measure to facilitate sales by eligible manufacturing units in SEZs to the DTA at concessional rates of duty, subject to a prescribed proportion of their exports.

DIRECT TAX PROPOSALS

(Unless specified, proposals shall take effect from Tax Year 2026-2027)

NEW INCOME TAX ACT, 2025

- New Income Tax Act, 2025 comes into effect from 1st April 2026
- New Income Tax Rules and Forms to be notified shortly
- Term “Tax Year” replaces “Previous Year”. No concept of “Assessment Year”

RATES OF TAX / THRESHOLD LIMIT

a. Individual, HUF, AOP or BOI, Artificial Juridical Person

Old Regime

- No change in tax slabs and basic tax rates.
- Surcharge in case of LTCG is continued to be capped at 15%, similar to last year.
- In the case of AOPs consisting of only companies as its members, surcharge shall not exceed 15%, similar to last year.
- No change in Health and Education cess, which is 4%.
- No change in Tax rebate for resident individual whose income does not exceed ₹ 5 Lakhs.
- No change in Standard Deduction u/s 16(ia) to salaried employees which is ₹ 50,000/-.

New Regime (Default Regime)

- No change in tax slabs and basic tax rates. Effective tax rates as under:

Taxable Income Slab (₹)	Effective Rate of Tax
Up to ₹ 4,00,000	NIL
₹ 4,00,001 to ₹ 8,00,000	5.20%
₹ 8,00,001 to ₹ 12,00,000	10.40%

Taxable Income Slab (₹)	Effective Rate of Tax
₹ 12,00,001 to ₹ 16,00,000	15.60%
₹ 16,00,001 to ₹ 20,00,000	20.80%
₹ 20,00,001 to ₹ 24,00,000	26.00%
₹ 24,00,001 to ₹ 50,00,000	31.20%
₹ 50,00,001 to ₹ 1,00,00,000	34.32%
₹ 1,00,00,001 to ₹ 2,00,00,000	35.88%
Above ₹ 2,00,00,000	39.00%

- New Regime will continue to be 'default tax regime' with an option to taxpayer to choose old regime.
- No change in surcharge.
- No change in Tax rebate for resident individual whose income does not exceed ₹ 12 Lakhs.
- No change in Standard Deduction u/s 16(ia) to salaried employees which is ₹ 75,000/-.

b. Firm and LLP

- No change in basic tax rate of 30% and surcharge of 12% for income above ₹ 1 Crore.
- No change in Health and Education cess, which is 4%.
- Effective Tax rates shall be as under (subject to AMT).

Taxable Income	Tax Rates (Including surcharge and cess)
Up to ₹ 1 Crore	31.20%
Above ₹ 1 Crore	34.94%

c. Companies:

Normal Regime

- No change in Tax rate of 25% for domestic companies, having total turnover or gross receipts not exceeding ₹ 400 Crores in FY 2024-25 and 30% for domestic companies, having total turnover or gross receipts exceeding ₹ 400 Crores in FY 2024-25.

- No change in Tax rate of 35% for foreign companies, on income other than income chargeable at special rate.
- No change in surcharge. For Domestic companies, surcharge of 7% is applicable where income exceeds ₹ 1 Crore and 12% where income exceeds ₹ 10 Crores.
- For foreign companies, surcharge of 2% is applicable where income exceeds ₹ 1 Crore and 5% where income exceeds ₹ 10 Crores.
- No change in Health and Education cess, which is 4%.
- It is proposed to make MAT as final tax and no new MAT credit may be allowed to be carried forward.
- Effective tax rates shall be as under (Subject to MAT):

Particulars	**Domestic Company**	**Foreign Company**
Turnover/Gross Receipts up to ₹ 400 Crores in FY 2024-2025		
Taxable Income upto ₹ 1 Crore	26.00%	36.40%
Taxable Income above ₹ 1 Crore to ₹ 10 Crores	27.82%	37.13%
Taxable Income above ₹ 10 Crores	29.12%	38.22%
Turnover/Gross Receipts above ₹ 400 Crores in FY 2024-2025		
Taxable Income upto ₹ 1 Crore	31.20%	36.40%
Taxable Income above ₹ 1 Crore to ₹10 crores	33.38%	37.13%
Taxable Income above ₹ 10 Crores	34.94%	38.22%

Optional Regime

- No change in the rates of Optional Regime in the case of domestic companies.
- Effective rates for domestic companies are as under:

Particulars	Optional Regime for Domestic Company	Optional Regime for new manufacturing Domestic Company
Effective Tax Rate (Including surcharge and cess)	25.17%	17.16%

d. Co-operative society

Normal Regime

- There is no change in the slab rates for tax. The same are as under:

Taxable Income Slab	Tax Rates
Up to ₹ 10,000	10%
₹ 10,001 to ₹ 20,000	20%
Above ₹ 20,000	30%

- No change in surcharge, which is 7% in case of income exceeding ₹ 1 Crore but less than ₹ 10 Crores and 12% in case of income exceeding ₹ 10 Crores.

Optional Regime

- No change in the tax rate for Optional Regime. The effective tax rate shall be 25.17%.

e. Minimum Alternative Tax (MAT)

- It is proposed to reduce MAT rate from 15% to 14% as final tax without any carry forward of MAT credit.
- To promote new tax regime and to allow companies to make smooth transition from old tax regime, it is proposed to set-off of unutilized MAT credit in new tax regime for domestic companies to the extent of 25% of the tax liability.
- In case of foreign companies, set off of unutilized MAT credit is proposed to be allowed to the extent of difference between tax on the total income and MAT, for the tax year in which normal tax is more than MAT.

- No change in surcharge and cess rates.
- MAT exemption extended to following specified business of Non-residents opting for presumptive taxation
  - i. Business of operation of cruise ships
  - ii. Business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company

TDS and TCS PROVISIONS

a) Rationalization of TCS rates

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 LRS, aggregate amount exceeding ₹ 10,00,000/-		
	a) for education or medical treatment	5%	2%
	b) for purposes other than education or medical treatment	20%	20%
6	Remittance under overseas tour programme package including expenses on travel, hotel stay, boarding, lodging or any similar expenditure		
	a) aggregate amount up to ten lakh rupees	5%	2%
	b) aggregate amount exceeding ten lakh rupees	20%	2%

b) Exemption from TDS on Interest Income from MACT compensation awarded to individual

It is proposed that no tax shall be deducted at source on interest earned by individual or by his legal heir on compensation awarded by the Motor Accidents Claims Tribunal.

c) Electronic Issuance of Nil or Lower TDS Certificate

It is proposed to permit electronic filing of applications with the income-tax authority, who will issue or reject the certificate for nil or lower TDS rate in accordance with prescribed conditions.

d) Relaxation from requirement to obtain TAN for purchase of immovable property from non-residents (w.e.f 01-Oct-2026)

Currently, buyers of immovable property from non-resident sellers must obtain TAN to deduct tax at source. It is now proposed that resident individuals and HUF will no longer need TAN for such TDS as the deduction will now be linked to PAN.

e) Submission of No-TDS Declaration via Depository (w.e.f 01-April-2027).

Investors earning income from multiple securities currently need to submit separate No-TDS declarations to each payer. It is now proposed that investors can file a single declaration with the depository, who will share it with the income payers. This facility will apply only to listed securities or units held in a depository in India.

f) Application of TDS on Supply of Manpower

In order to remove ambiguity, supply of manpower is to be specifically included within the definition of "work" for deducting TDS. Accordingly, TDS is to be deducted as payment to contractors by applying rate of 1% where payment is made to an individual or HUF and 2% in other cases.

g) Deduction for Non-Life Insurance expenses on subsequent TDS payment

Under Schedule XIV, non-life insurance businesses must add back inadmissible expenses, including those disallowed due to non-deduction or non-payment of TDS, while computing profits. However, currently Schedule XIV does not clearly allow these TDS-disallowed expenses as deductions in a later year when the tax is actually deducted and paid. Schedule XIV is now proposed to be amended to allow deduction of such expenses in the year the tax is actually deducted and paid.

h) Binding Guidelines for TDS/TCS

It is proposed that guidelines issued u/s. 400(2) shall be made binding on both income-tax authorities and persons responsible for deducting or collecting tax, aligning them with the provisions of the Income-tax Act, 1961.

i) Tax Exemption on Compensation for Compulsory Land Acquisition under RFCTLARR Act

Under section 96 of the RFCTLARR Act, 2013, compensation for compulsory land acquisition (other than Section 46) is not taxable by virtue CBDT Circular No. 36/2016. To remove ambiguity and align the Income Tax Act, 2025 with the RFCTLARR Act, 2013, it is proposed to amend Schedule III of Income Tax Act to exempt such compensation from tax.

BUSINESS INCOME

a. Rationalising due date of payment of employee contribution by employer to claim such contribution as deduction

It is proposed to provide that employees contributions to welfare funds shall be allowed as a deduction if credited to the relevant fund on or before the due date for filing the return of income. Accordingly, the earlier requirement to deposit by the due date under the relevant welfare laws is now aligned with the return filing due date.

CAPITAL GAINS

a. Restriction on Exemption from capital gain tax for Sovereign Gold Bond (SGB)

It is proposed that the capital gain tax exemption on sale of SGBs would be available only if the SGB is subscribed by subscriber at the time of original issue and held continuously till maturity.

b. Taxation of Buyback of Shares

- Currently, consideration received on buy-back of shares is taxed as dividend income and cost of acquisition of shares extinguished on buyback is allowed separately as capital loss.
- It is now proposed to tax the gain on buy-back under the head "Capital gains".
- Further, in case of promoter shareholders, it is proposed to levy additional tax in addition to normal capital gains tax. The aggregate applicable rates are as follows:

Sr. No.	Income	Applicable rate, where the promoter is a domestic company	Applicable rate, where the promoter is other than a domestic company
1.	Short-term capital gains	22% (20% + 2%)	30% (20% + 10%)
2.	Long-term capital gains	22% (12.5% + 9.5%)	30% (12.5% + 17.5%)

c. Securities and Transaction Tax (STT)

It is proposed to increase STT rates on options and futures transactions as follows:

Type of Transaction	Current Rate	Proposed Rate
Sale of options in securities (option premium)	0.1%	0.15%
Sale of options where option is exercised (intrinsic price)	0.125%	0.15%
Sale of futures in securities (traded price)	0.02%	0.05%

OTHER SOURCES

a) Non-allowability of Interest as a deduction against Dividend Income

It is proposed that no deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds thereby eliminating the existing deduction of interest expenditure allowable up to 20% of such gross dividend or income from units of mutual funds.

EXEMPTIONS

a) Exemption on interest income under the Motor Vehicles Act, 1988

Any interest income of an individual or his legal heir on the compensation awarded under Motor Vehicles Act, 1988 is proposed to be exempt from tax.

RETURN FILING DUE DATES

a) Rationalising due dates for filing of return of Income

It is proposed to rationalize due dates for filing of return of income as under:

S. No.	Person / Category of Assessee	Current Due Date	Proposed Due Date
1	Individuals filing ITR-1 / ITR-2 (salary, capital gains, etc.)	31st July	31st July
2	Non-audit business / profession & partners of non-audit firms	31st July	31st August
3	Company	31st October	31st October
4	Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force;	31st October	31st October
5	Cases covered under transfer pricing	30th November	30th November

b) Extension of time period for filing of revised return

It is proposed to provide additional time period of 3 months for filing of revised return with payment of nominal late fees viz. ₹ 1,000/- for total income up to ₹ 5,00,000/- and ₹ 5,000/- in other cases. The proposed extended time limit is as under:

Particulars	Current Time Limit	Proposed Time Limit
Revised return filing limit	9 months from end of tax year (i.e., 31st December)	12 months from end of tax year (i.e., 31st March)

c) Allowing filing of Updated Return after issuance of notice of reassessment

S. No.	Particulars	Details
1	Current Position	Updated return not permitted once reassessment proceedings initiated
2	Amendment Proposed	Updated return can be filed in response to reassessment notice
3	Conditions	Must be filed within time specified in the reassessment notice; Only one return allowed in response to such notice
4	Additional Tax Payable	Existing additional tax (25% / 50% / 60% / 70% based on the period) plus extra 10%
5	Penalty Relaxation	Immunity from penalty for income disclosed in updated return

ASSESSMENT AND APPEAL

a) Quantum of pre-payment of tax for stay of demand

The Finance Minister, in her budget speech, proposed to reduce the quantum of pre-payment of tax for stay of demand from 20% to 10% to be calculated only on core tax demand.

b) Clarification on assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN (w.r.e.f. 01st Oct 2019)

It is clarified that irrespective of anything contained in any judgment, order or decree of court, no assessment shall be invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated Document Identification Number, if the assessment order is referenced by such number in any manner.

c) Clarification regarding jurisdiction to issue reassessment notice and related pre-assessment procedure (w.r.e.f. 01st Apr 2021)

It is proposed to clarify that the initiation of reassessment, including pre-assessment enquiry and issuance of reassessment notice, shall be undertaken only by the jurisdictional Assessing Officer and not by the National Faceless Assessment Centre or its Assessment Units.

INTERNATIONAL TAXATION

Exemption On Certain Incomes to Foreign Companies / Non-Residents

It is proposed to grant exemption to income earned by eligible foreign companies/ non-residents engaged in specified business activities as under:

a) Income from providing capital equipment to electronic goods manufacturer in India

Eligible Taxpayer:

Foreign company providing capital goods, equipment or tooling to the contract manufacturer for use in electronic manufacturing in India.

Eligible income:

Any income arising from providing capital goods, equipment or tooling to eligible contract manufacturer.

Exemption Period:

Exemption available up to tax year ending on 31-Mar-2031.

Conditions:

i. Contract manufacturer must

- Be an Indian resident company
- Be located in a custom bonded area, as per Customs Act, 1962.
- Produce electronic goods on behalf of the foreign company for consideration.

ii. Ownership of capital goods, equipment or tooling remains with the foreign company, but control and direction shall be of the contract manufacturer.

b) Income of non-residents from rendering services under a notified scheme in India

Eligible Taxpayer:

Individual taxpayer who is a non-resident for 5 consecutive years preceding the tax year in which he visits India for first time for rendering services in India for any scheme notified by Central Government

Eligible income:

Any income which accrues or arises outside India and is not deemed to accrue or arise in India.

Exemption Period:

5 consecutive tax years starting from the year in which he first visits India in connection with such scheme.

Conditions:

Taxpayer provides service in India in connection with any scheme notified by Central Government and other conditions as maybe prescribed.

c) Income of Foreign Companies procuring Data Centre services:

Eligible Taxpayer:

Notified foreign company

Eligible income:

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.

Exemption Period:

Exemption up to tax year ending 31-Mar-2047.

Conditions:

- Specified data centre should be owned and operated by an Indian company
- The foreign company must not own or operate any of the infrastructure or resources of the specified data centre in India.
- All sales by foreign company to users located in India must be routed through an Indian reseller company.
- Foreign company to furnish information in prescribed format.

TRANSFER PRICING

a) Clarification of time limit for completion of TP Assessment (Section 166 of Income Tax Act, 2025)

- Currently, TPO is required to issue an order 60 days prior to expiry of limitation period for passing order of assessment or reassessment.
- It is now proposed to clarify the following time limit for passing order by TPO:

Time Limit for Regular Assessment	Time Limit for TP Assessment
31st March	31st January
31st December	31st October

b) Facility of filing modified return after Advanced Pricing Agreement (APA)

- Currently, only person who enters into an APA is eligible to file a modified return to give effect to the APA. Associate enterprises, whose income and tax liability are altered as a consequence of the APA are ineligible to file or modify their returns, resulting in no mechanism for them to claim refunds of excess taxes paid or withheld.
- It is now proposed to allow both, the entity covered by the APA and any associated enterprise affected by such modification to furnish a return or modified return.

- Such return or modified return to be filed within 3 months from end of the month in which the APA is entered into and shall relate only to the tax years covered by the APA.

c) Time Limit for completion of assessment pursuant to DRP order (w.r.e.f. 01st Apr 2009/01st Oct 2009 as applicable)

It is clarified that once a draft assessment order is forwarded by DRP to the AO, the time limits for final assessment is governed solely by the specific time limits applicable for DRP matters and not by the general time limits.

d) Rationalisation of Safe Harbour Rules for IT/ ITES Sector

The Finance Minister, in her budget speech, proposed to rationalize safe harbour rules for IT/ITES sector as under:

Sr. No.	Eligible transactions	Proposed Margin	Remarks
1	Software development services, Information Technology (IT) enabled services, Knowledge process outsourcing services – Proposed to be collectively referred as "IT services"	15.5% on cost (reduced from existing 17% - 24%)	**Turnover threshold for applicability** – Existing ₹ 300 crores proposed to be increased to ₹ 2,000 crores. **Validity** – 5 years **Approval Process** -To be approved by automated process i.e. without AO involvement

Sr. No.	Eligible transactions	Proposed Margin	Remarks
2	Data center services rendered by residents to foreign related party	15% on cost	Domestic entity acting as reseller of such services.
3	Non-residents undertaking component warehousing in bonded warehouse	2% of invoice value	-

Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) (date to be notified)

To facilitate voluntarily declaration by small taxpayers and regularise their past non-disclosures of foreign assets or foreign income, it is proposed to introduce Foreign Assets of Small Taxpayers Disclosure Scheme, 2026. Salient features of the proposed scheme are as under:

Eligible taxpayers:

i. Person resident in India

ii. Taxpayers who are non-residents / not ordinarily resident in the previous year and were resident either:

- in the previous year in which undisclosed foreign income was earned, or
- in the previous year in which undisclosed foreign assets were acquired

Applicability:

Scheme applies to taxpayers who:

- Failed to file a return of income or,
- Failed to disclose foreign assets or income in a previously filed return of income or,
- Have foreign assets or income that escaped assessment

Tax liability:

Type of Assets / Income	Threshold	Amount Payable
Undisclosed foreign assets or Undisclosed foreign income	Aggregate of: a) Fair market value of undisclosed foreign asset and b) Undisclosed foreign income ≤ INR 1 crore	Tax: 30% of aggregate of the following: 1. Fair market value of undisclosed foreign assets as on 31-Mar-2026 and 2. Undisclosed foreign income Penalty: 100% of tax determined as above
Non-disclosure of foreign assets *	Fair market value of undisclosed foreign asset ≤ INR 5 crore	Flat fee of INR 1 lakh

** Such foreign assets were acquired:*

- *from foreign income earned during the period where taxpayer was non-resident and such foreign assets were not disclosed in the return of income on becoming resident.*

or

- *from income offered to tax in India but such foreign assets not disclosed in the return of income.*

The proposed scheme contains provision for determination of liability within 1 month of filing declaration, payment of tax within 2 months of passing the order, granting immunity from prosecution and penalties under the Black Money Act.

Measures to enhance competitiveness of International Financial Services Centre (IFSC)

Extension of tax holiday

It is proposed to increase the tax holiday period as follows:

- Units in IFSCs - 20 consecutive years out of a total period of 25 years.
- Offshore Banking Units - 20 consecutive years.

Reduction of Tax Rate

Post tax holiday period, it is proposed to tax business income of IFSC units at a reduced rate of 15%.

PROCEDURAL AMENDMENTS

a) Amendments in block assessment provisions in search cases

It is proposed to limit the block period applicable to other person (i.e., persons other than the searched person). Accordingly, the block period for another person shall now depend upon the period to which the undisclosed income pertains as under: -

Period to which undisclosed income of the other person pertains	Block period of the other person
Where undisclosed income pertains only to the period commencing from 'the tax year immediately preceding the year of initiation of search' (specified year) and ending on 'the date of initiation of search'	Specified year; and Period from 1st April of the tax year in which search is initiated up to the date of completion of search
Where undisclosed income pertains only to a single tax year out of the 5 tax years preceding the specified year	Only that single tax year
Any other case	Same block period as applicable to the searched person

b) The time limit for completion of block assessment in case of the searched person is proposed to be revised as follows: -

Current	Proposed
12 months from the end of the quarter in which search is concluded	18 months from the end of the quarter in which search is initiated

c) Rationalization of conditions for prosecution under the Black Money Act (w.e.f. 01st Oct 2024)

The Black Money Act is proposed to be amended to provide that there would be no prosecution for failure to furnish return of income or willful omission to disclose foreign assets or income in the return of income, in case the aggregate value of foreign assets (other than immovable property) does not exceed ₹ 20 lakhs.

d) Rationalization of Prosecution proceedings

Various sections are proposed to be amended to decriminalize the prosecution proceedings based on the following broad principles:

- Nature of punishment is proposed to be changed from rigorous imprisonment to simple imprisonment.
- Maximum punishment is proposed to be reduced from 7 years to 2 years and for subsequent offences from 7 years to 3 years.
- Punishment of offences is proposed to be prescribed based on certain grading of amount of tax evaded.
- In case amount of tax evaded does not exceed ₹ 10 lakhs, punishment is proposed of only fine.
- Imposition of fine is proposed to be introduced in lieu of or in addition to imprisonment.
- Certain offences are fully decriminalized.

e) Rationalisation of Penalties into Fee

Failure to get accounts audited

It is proposed to convert penalty to a mandatory fee for failure to get accounts audited. The amount of fee proposed is ₹ 75,000 for a delay up to one month for which such failure continues and shall be increased to ₹ 1,50,000 thereafter.

Report from an accountant to be furnished by persons entering into international transaction or specified domestic transaction

It is proposed to convert penalty to a mandatory fee for failure to get report from an accountant to be furnished by persons entering into international transaction or specified domestic transaction. The amount of fee proposed is ₹ 50,000 for a delay up to one month for which such failure continues and shall be increased to ₹ 1,00,000 thereafter.

Failure to furnish statement of financial transaction or reportable account

It is proposed to convert penalty to a mandatory fee for failure to furnish statement of financial transaction or reportable account (SFT Return). The amount of fee of ₹ 500 per day will be applicable till such failure continues and ₹ 1,000 per day on failure to furnish the statement within the period specified in notice in this regard.

f) Imposition of penalty for under-reporting or misreporting of income with Assessment Order (w.e.f. 01st April 2027)

It is proposed that penalty for under-reporting of income will be levied along with the assessment order itself, instead of through a separate proceeding. Interest on unpaid penalty will be charged only after disposal of appeal by CIT(A) or ITAT (in cases of DRP).

These amendments will apply to assessments, reassessments and draft assessment orders made on or after April 2027, under both the new and existing income-tax laws.

g) Penalty for failure to furnish the requisite information to the income-tax authorities

It is proposed to increase the maximum amount of penalty from existing ₹ 1,000 to ₹ 25,000 for failure to furnish the requisite information to the income-tax authorities.

h) Rationalisation of tax rate and penalty in respect of Income from unexplained transactions

It is proposed to reduce the tax rate from 60% to 30% for income on account of unexplained credits, unexplained investment, unexplained asset, unexplained expenditure, etc.

It is further proposed to omit penalty of 10% of the tax payable imposed on such income and impose penalty as under-reporting of income in consequence of misreporting.

i) Expanding the scope of immunity from penalty or prosecution:

It is proposed to extend the provision of immunity to cases where under-reporting of income is in consequence of misreporting. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of penalty.

Further, for availing such immunity in respect of tax on income from unexplained credits, unexplained investment, unexplained asset etc., the taxpayer is required to pay an additional income-tax to the extent of 120% as against 100% in other cases.

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

It is proposed to impose penalty of ₹ 200 per day for non-furnishing of information on transaction of crypto-asset in the statement.

Further, it is proposed to impose penalty of ₹ 50,000 for furnishing inaccurate particulars and failure to correct such inaccuracy.

❑❑

INDIRECT TAX PROPOSALS

CENTRAL EXCISE

- The Seventh Schedule to the Finance Act, 2001 is being amended to revise the National Calamity Contingent Duty (NCCD) Schedule rates as detailed below-

Tariff item	Description	NCCD rates	
		From	To
(1)	(2)	(3)	(4)
2403 99 10	Chewing tobacco	25%	60%
2403 99 30	Jarda scented tobacco	25%	60%
2403 99 90	Other	25%	60%

The effective rate will remain unchanged to 25%.

- Central Excise exemption has been expanded in respect of blended CNG containing Biogas/Compressed Biogas (CBG). The value of Biogas/CBG and the applicable GST (CGST/SGST/UTGST/IGST) paid thereon will now be excluded from the transaction value for computation of Central Excise duty on blended CNG. Notification No. 11/2017–Central Excise has been amended vide Notification No. 02/2026–Central Excise dated 01-Feb-2026, effective from 02-Feb-2026. Consequently, Notification No. 05/2023–Central Excise dated 01-Feb-2023 stands rescinded from the same date.

- The levy of additional excise duty of ₹2 per litre on the sale of unblended diesel has been deferred up to 31-Mar-2028. Accordingly, Notification No. 11/2017-Central Excise dated 30-Jun-2017 stands amended vide Notification No. 02/2026-Central Excise dated 01-Feb-2026.

CUSTOMS

a. Rate Related Changes

- Rate changes in Exemption Notification No. 45/2025-Customs with effect from 02.02.2026

CTH	Product Description	From	To
2612 20 00	Monazite	2.5%	Nil
2841 90 00	Sodium antimonate for use in manufacture of solar glass	7.5%	Nil
2841 90 00	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium	7.5%	Nil
2846	Compounds, inorganic or organic of rare earth metals	7.5%	Nil
2915, 2933,	Goods specified in List 8 appended to TABLE I for use in the manufacture of sheets/ encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof or backsheet, which are used in the manufacture of solar photovoltaic cells or modules	As applicable	Nil
39, 48 or any other Chapter	The goods specified in List 11 appended to TABLE I, when imported by bona fide exporters, for use in the manufacture of leather or synthetic footwear, shoe-uppers, or other leather products, for export:	As applicable	Nil
7407, 7408	Copper wire of refined copper of which the maximum cross-sectional dimension exceeds 6mm or copper rods of refined copper, for the manufacture of photovoltaic ribbon or tinned copper interconnect or cell interconnect or string interconnect or the photovoltaic connect or photovoltaic ribbon or solar ribbon for manufacture of solar photovoltaic cell or modules:	5%	Nil

CTH	Product Description	From	To
8112 92 00	Unwrought; waste and scrap;powders of : — (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium	5%	Nil
8401 30 00	All goods, for generation of nuclear power	7.5%	Nil
8401 40 00	The following goods for the generation of nuclear power, namely:- (i) Control and Protection Absorber Rods; (ii) Burnable Absorber Rods	7.5%	Nil
84 or any Other Chapter	The following goods, namely: - (1) Parts and sub-parts for the manufacture or the maintenance of wind operated electricity generator components, namely:- (a) Special bearings, (b) Gear box, (c) Yaw Components, (d) Wind turbine Controllers (2) Parts for the manufacture or the maintenance of blades for rotor of wind operated electricity generators (3) Balsa Wood, Carbon Fibre for the wind operated electricity generator blades (4) Forged steel rings, falling under tariff item 7326 90 99, for manufacture of special bearings for use in wind operated electricity generators:	As applicable	5%

CTH	Product Description	From	To
8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	The following goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00, namely: - (i) AC Synchronous Motor or AC Fan Motor (8501 10 20) (ii) Transformer (8504 31 00) (iii) Electric Heating Resistors (8516 80 00) (iv) Other Parts (8516 90 00)	15% 10% 20% 10%, respectively	Nil
Any Chapter	Raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of (i) aircraft falling under heading 8802; or (ii) components or parts, including engines, of aircrafts of heading 8802;	As applicable	Nil
Any Chapter	Components or parts including engines, of aircraft of heading 8802- (i) for manufacture of aircraft falling under heading 8802; (ii) for manufacture of parts of aircraft at (i);	As Applicable	Nil
9801	Goods required for setting up of any Nuclear Power Project specified in List 2 appended to TABLE II, as certified by an officer not below the rank of a Joint Secretary to the Government of India in the Department of Atomic Energy:	7.5%	Nil

- <u>Proposed Modification in Custom Tariff with effect from 02.02.2026</u>

  Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023

CTH	Product Description	From	To
6601 91 00, 6601 99 00	Umbrellas (Other than garden Umbrellas)	20%	20% or ₹ 60 per piece, whichever is higher
6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or ₹ 25 per kg., whichever is higher

- Proposed Decrease in Custom Tariff with effect from 01.04.2026

CTH	Product Description	From	To
9804	All Dutiable goods, imported for personal use	20%	10%

- Proposed Rate Changes in Customs Tariff with effect from 01.05.2026 *(unless otherwise specified)*

  The current applied rate of Basic Customs Duty on these commodities would operate through the First Schedule and the corresponding entries would be omitted from the concerned notifications (s).

CTH	Product Description	From	To
0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
0306 36 60	Artemia	5%	Nil
0511 91 40	Artemia cysts	5%	Nil
0802 11 00	Almonds, in shell	₹ 42 per kg	₹35 per kg
0802 12 00	Almonds, shelled	₹ 120 per kg	₹ 100 per kg
0802 31 00	Walnuts, in shell	120%	100%

CTH	Product Description	From	To
1209 (other than Those falling Under sub-headings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds		30%
2008 19 92	Other nuts, otherwise prepared or preserved		30%
2309 90 31	Prawn and shrimps feed	15%	5%
2504	Natural graphite	5%	2.5%
2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands	5%	Nil
2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
2530 90 91	Strontium sulphate (natural ore)	5%	Nil
2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
2709 00 10	Petroleum crude	5%	Re 1 per tonne
2804 50 20	Tellurium	5%	Nil

CTH	Product Description	From	To
2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
2804 69 00	Silicon, other	5%	Nil
2804 90 00	Selenium	5%	Nil
2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
2809 20 10	Phosphoric Acid	20%	5%
2811 22 00	Silicon dioxide	7.5%	2.5%
2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
2822 00 10	Cobalt oxides	7.5%	Nil
2822 00 20	Cobalt hydroxides	7.5%	Nil
2822 00 30	Commercial cobalt oxides	7.5%	Nil
2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
2825 30	Vanadium oxides and hydroxides	7.5%	Nil
2825 60 10	Germanium oxides	7.5%	Nil
2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
2825 80 00	Antimony Oxides	7.5%	Nil
2825 90 20	Cadmium oxide	7.5%	Nil
2827 35 00	Chlorides of Nickel	7.5%	Nil
2827 39 30	Strontium chloride	7.5%	Nil
2833 24 00	Sulphates of Nickel	7.5%	Nil
2834 21 00	Nitrates of potassium	7.5%	Nil
2836 91 00	Lithium carbonates	7.5%	Nil
2836 92 00	Strontium carbonate	7.5%	Nil
2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
2918 15 30	Bismuth citrate	7.5%	Nil
3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%

CTH	Product Description	From	To
3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
3808 93 30	Gibberellic acid	10%	5%
3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil
5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
7202 60 00	Ferro-nickel	2.5%	Nil
7402 00 10	Blister copper	5%	Nil
7802	Lead waste and scrap	5%	Nil
7902	Zinc waste and scrap	5%	Nil
8105 20 30	Cobalt powders	5%	Nil
8419 89 12 to 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%

- Proposed New Tariff Lines to be included in Customs Tariff with effect from 01.05.2026 *(unless otherwise specified)*

  For the following entries, new tariff lines have been created in the First Schedule for the purposes of tarrifisation of effective rates

Present CTH	Product Description	Proposed CTH	Rate
0306 19 00	Krill, frozen	0306 19 10	15%
0802 99 00	Pecan Nuts	0802 99 10	30%

Present CTH	Product Description	Proposed CTH	Rate
0810 40 00	Cranberries, fresh	0810 40 10	10%
0810 40 00	Blueberries, fresh	0810 40 20	10%
0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%
0813 40 90	Cranberries, dried	0813 40 30	10%
0813 40 90	Blueberries, dried	0813 40 40	10%
1207 99 90	Shea Nuts	1207 99 50	15%
2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 (other than 2106 90 51)	50%
2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
2615 90	Hafnium ores and concentrates	2615 10 10	Nil
2841	Ammonium metavanadate	2841 90 10	2.5%
29	Gibberellic acid	2932 20 40	5%

Present CTH	Product Description	Proposed CTH	Rate
29	Triethyl orthoformate	2915 90 96	5%
29	Diethyl malonate	2917 19 22	5%
29	DL-2 Aminobutanol	2922 19 30	5%
29	Aceto butyrolactone	2932 20 50	5%
29	Artemisinin	2932 99 30	5%
29	Thymidine	2934 99 50	5%
3302 10	Mixtures of odoriferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10, 4106 31 10, 4106 91 10	Nil
4702	Rayon grade wood pulp	4702 00 10	2.5%
4823 90 90	All goods other than kites	4823 90 90 (kites fall under new tariff item 4823 90 40)	10%
8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%
8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%

Present CTH	Product Description	Proposed CTH	Rate
8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%
8507 90	Battery separators	8507 90 20	5%
8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%
8609 00 00	Refrigerated containers	8609 00 10	5%

- Exemption from whole of Social Welfare Surcharge (SWS) with effect from 02.02.2026

CTH	Product Description
9503	Parts of electronic toys for manufacture of electronic toys

- SWS exemption withdrawn with effect from 01.04.2026

CTH	Product Description
9804	All dutiable goods imported for personal use

b. Rules and Notification related changes:

- Exemptions/concessional rates being extended till 31.03.2028

S. No. of notification No. 45/2025-Customs	Brief Description
5	Meat and edible offal of ducks, frozen
14	Planting materials, namely, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses
58	Algal oil for manufacturing of aquatic feed
61	Lactose for use in the manufacture of homeopathic medicine

S. No. of notification No. 45/2025-Customs	Brief Description
69	Specified goods used in the processing of sea-food
84	Gold ores and concentrates for use in the manufacture of gold
85	Specified bunker fuels for use in ships or vessels
98	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to 19th July, 2012
99	Electrical energy supplied to DTA from power plants of less than I000MW, and granted formal approval for setting up in SEZ prior to 19th July, 2012
111	Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals
112	Pharmaceutical Reference Standard
114	Specified goods used for the manufacture of ELISAK
119	Anthraquinone or 2-Ethyl Anthraquinone, for use in the manufacture of Hydrogen Peroxide
134	Specified goods for use in the manufacture of sheets or backsheet, which are used in the manufacture of solar photovoltaic cells or modules [The entry has been modified]
138	Specified goods for use in the manufacture of Brushless Direct Current (BLDC) motors
140	Tags, labels, stickers, belts etc. imported by bona fide exporters
141	Specified goods imported by bona fide exporters for use in the manufacture of handicraft items, for export
142	Specified goods imported by bona fide exporters for use in the manufacture of textile or leather garments, for export

S. No. of notification No. 45/2025-Customs	Brief Description
143	Specified goods imported by bona fide exporters for use in the manufacture of leather or synthetic footwear, or other leather products, for export [The entry has been modified]
144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body
146	Capacitor grades polypropylene granules or resins forthe manufacture of capacitor grade plastic film
148	Super absorbent polymer (SAP) imported for use in manufacture of specified goods
150	Polytetramethylene ether glycol (PT MEG) for use in manufacture of spandex yam
155	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
156	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
160	Pulp of wood or of other fibrous cellulosic material the manufacture of newsprint, paper and paperboard, adult diapers, and goods falling under heading 9619
162	All goods imported for use in manufacture of paper, paperboard, or newsprint
163	Specified goods used in the printing of newspapers
164	Lightweight coated paper weighing up to 70g/m2, imported by actual users for printing of magazines
173	Pile fabrics for the manufacture of toys
174	Moulds, tools and dies, for the manufacture of parts electronic components or electronic equipment
175	Graphite Felt for growing silicon ingots, and thin steel wire used in wire saw for slicing of silicon wafers
184	Simply Sawn Diamonds

S. No. of notification No. 45/2025-Customs	Brief Description
148	Seeds for use in manufacturing of rough lab-grown diamonds
205	Ferrous Scrap
208	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain-oriented steel (CRGO).
209	Specified goods for the manufacture of cold rolled grain-oriented steel
220	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators [The entry is being merged with S.No. 230 in TABLE of notification No. 45/2025-Customs dated 24.10.2025]
222	Copper wire of refined copper or copper rod for manufacture of photovoltaic ribbon for solar photovoltaic cell or modules [The entry has been modified]
227	Dies for drawing metal, when imported after repairs from abroad, in exchange of similar worn-out dies exported out of India for repairs
228	Parts and raw materials for manufacture of goods to supplied in connection with the purposes of off-shore oil exploration or exploitation
229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations
230	Goods for manufacture or the maintenance of wind operated electricity generator components. [The entry has been modified after merger of entry S. 220 in TABLE I of notification No. 45/2025-Customs]

S. No. of notification No. 45/2025-Customs	Brief Description
232	Parts of catalytic converters and goods for use in the manufacture of catalytic convertors or its parts
233	Platinum or Palladium for use in the manufacture of Noble Metal Compounds and Noble Metal Solutions
234	Ceria zirconia compounds for use in the manufacture of wash coat for catalytic converters
235	Cerium compounds for use in the manufacture of wash coat for catalytic converters
237	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display
238	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips
239	Specified goods for the manufacture of certain goods their parts
246	Bushings made of Platinum and Rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India
247	Parts and components for manufacture of tunnel boring machines
256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system
267	Ball screws for use in the manufacture of CNC Lathes
268	Linear Motion Guides for use in the manufacture of Lathes
269	CNC Systems for use in manufacture of CNCL lathes
270	Certain goods for use in manufacture of plastic processing machineries

S. No. of notification No. 45/2025-Customs	Brief Description
272	Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/ scanner, Iris scanner, miniaturized POS card reader
273	All parts for use in the manufacture of LED lights or fixtures including LED Lamps
274	All inputs for use in the manufacture of LED (Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps
277	Goods imported for being tested in specified test Centers
280	Specified goods for use in the manufacturing of Microphones
292	Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/ Network Video Recorder (NVR) falling under 8521 90 90, other than the following items, namely populated printed circuit boards ; charger or power adapter; Sub-parts for use m manufacture of items mentioned at (i) above [Only clause (ii) is being continued while clause (i) is being allowed to lapse on the end date of 3 JS1 March, 2026}
293	Parts, components and accessories for use in manufacture of reception apparatus for television
294	Parts, components and accessories for manufacture of CCTV Camera
295	Parts, components and accessories except Lithium-ion cell and PCBA for use in manufacture of Lithium-ion battery and battery pack
296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack
297	Open cell for use in the manufacture of LCD and LED TV panels

S. No. of notification No. 45/2025-Customs	Brief Description
302	Specified goods for use in the manufacture of LCD and LED TV panels
306	Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens
314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells
319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV
320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone
321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle
333	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)
334	Raw materials for manufacture of aircrafts and parts of aircrafts
335	Components or parts including engines, of aircraft for manufacture of air craft
336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft
337	Other Aircrafts
338	Components or parts, including engines, of aircraft
339	Satellites and payloads, ground equipment brought testing and ground installations for satellite including its spares and consumables
340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads
341	All goods under heading 8802 (except CTH 8802 6000)
342	All goods under heading 8802 (except CTH 8802 6000)

S. No. of notification No. 45/2025-Customs	Brief Description
343	All goods under heading 8802 (except CTH 8802 6000)
345	Parts (other than rubber tubes), of aircraft of heading 8802
348	Parts (other than rubber tubes), of aircraft of heading 8802
350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods
355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up
375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve
376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases
377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof
382	Hospital Equipment for use in specified hospitals
386	Raw materials, parts or accessories for the manufacture of Cochlear Implants
387	X-Ray Baggage Inspection Systems and parts thereof
388	Portable X-ray machine I system
392	Parts and cases of braille watches, for the manufacture of Braille watches
396	Parts of electronic toys for manufacture of electronic toys

S. No. of notification No. 45/2025-Customs	Brief Description
415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio-gas (Bio-CNG) using non-conventional materials
440	All items of machinery, and auxiliary equipment for setting up of fuel cell-based system for generation of power or for demonstration purposes or balance of systems operating on biogas or bio-methane or byproduct Hydrogen
1	Security fibre, security threads, Paper Based Taggant, including M-feature, for use in the manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore
2	Raw materials for use in manufacture of security fibre and security threads for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore for use in manufacture of security paper

- Following conditional exemption entries of notification no. 45/2025-Customs dated 24.10.2025 are being allowed to lapse on the 31.03.2026:

S. No. of notification No. 45/2025-Customs	Product Description
In Table I of notification No. 45/2025-Customs	
93	Naphtha, for use in the manufacture of fertilisers
95	LPG, consumed in the manufacture of polyisobutylene by DTA unit received from SEZ unit and returned by DTA to SEZ from where such LPG were received.

S. No. of notification No. 45/2025-Customs	Product Description
107	Silicon for the manufacture of un-diffused silicon wafers, and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules**
117	Maltol, for use in the manufacture of deferiprone
145	Specified goods in manufacture of Copper-T contraceptives
154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables
172	Hydrophilic and hydrophobic non- woven fabrics, imported for use in the manufacture of adult diapers
201	Spent catalyst or ash containing precious metals
218	Metal parts for use in the manufacture of electrical insulators
219	Pipes and tubes for use in manufacture of boilers
231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators
236	Zeolite for use in the manufacture of wash coat for catalytic converters
243	High speed cold-set or high speed heat set web offset printing machines along with mail room equipment
271	Cash dispenser or automatic banknote dispenser and its parts and components
275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team

S. No. of notification No. 45/2025-Customs	Product Description
276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from
291	Parts and components of digital still image video cameras
309	Raw materials or parts for use in manufacture of e-Readers
370	X-Ray tubes used in manufacture of X-ray machines for medical, surgical or veterinary use
372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use
397	Parts of video games for the manufacture of video games
In Table IV of notification No. 45/2025-Customs	
1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media
In notification No. 113/2003-Customs dated 22 July 2003	
Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA	

- Following conditional exemption entries of notification no. 45/2025-Customs dated 24.10.2025 are being allowed to lapse on the 02.02.2026

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
1	Animals and birds imported by Zoo
113	Alpha pinene
123	Artificial plasma

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure or for the production of complex fertilisers
132	Potassium sulphate, containing not more than 52% by weight of potassium oxide*
137	Other diagnostic or laboratory reagents falling under tariff heading 3822 90 90*
213	INVAR
258	Coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee
285	Parts of radio trunking terminals
287	CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers
310	Loco simulators

- Sunset-clause for the following entries is being removed with effect from 02.02.2026

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527.
	*The said entry is being omitted w.e.f 1st May, 2026 as the applicable rates will be incorporated in Tariff itself.
353	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8901)
356	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8906)

- Sunset-date of 31.03.2027 for the following entries is being prescribed

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description	End Date Prescribed
192	Gold dore bar, having gold content not exceeding 95%	31.03.2027
193	Silver dore bar having silver content not exceeding 95%	31.03.2027
194	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger (ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	31.03.2027
195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	31.03.2027

- The following entries of notification No. 45/2025-Customs are being modified as under, with effect from 02.02.2026

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
69	The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
134	The modified description covers specified goods for use in the manufacture of sheets/ encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof or backsheet, which are used in the manufacture of solar photovoltaic cells or modules
12, 140, 142	The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
143	The benefit of duty exemption on specified inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also. The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
222	The modified description covers copper wire of refined copper of which the maximum cross-sectional dimension exceeds 6 mm or copper rods of refined copper, for the manufacture of photovoltaic ribbon, or tinned copper interconnect or cell interconnect or string interconnect or the photovoltaic connect or photovoltaic ribbon or solar ribbon or manufacture of solar photovoltaic cell or modules.
220 & 230	S.No. 220 pertaining to Forged steel rings for manufacture of special bearings for use in wind operated electricity generators is being merged with S.No. 230. Subsequently, the description of S.No. 230 covering goods for manufacture or the maintenance of wind operated electricity generator components, has been modified.

- The following exemption entries of notification No. 45/2025-Customs are being omitted with effect from 02.02.2026 as these are redundant. The effective BCD rate would remain the same and will apply from First Schedule of the Customs Tariff Act, 1975.

S. No. of TABLE I in notification No. 45/2025-Customs	Product Description
139	Ethylene vinyl acetate (EVA)
157	New Pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S.Nos. 155 and 156 of the notification No. 45/2025-Customs)
217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00, 7318 29 90

- **Deferred Payment of Import Duty Rules, 2016**
  - o Deferred Payment of Import Duty Rules, 2016 has been amended to enhance duty deferral period for AEO T-2 & T-3 holders from 15 days to 30 days.
  - o Notification No. 135/2016-Customs (N.T.) dated 02.11.2016 has been amended to extend duty deferment benefits to "Eligible Manufacturer Importer" up to 31.03.2028.
- **Baggage Rules**
  - o Baggage Rules, 2026 (superseding Baggage Rules, 2016) have been notified w.e.f. 02.02.2026 to rationalize the baggage provisions and addressing passenger related concerns at airports and resolution of interpretational issues; provide clarity in temporarily carriage of goods brought in or taken out to avoid unnecessary detention of goods, and restructure Transfer of Residence benefits for Indian residents and foreign professionals based on duration of stay.
- Customs Baggage Declaration Regulations, 2013, the Baggage (Transit to Customs Stations) Regulations, 1967 and the Passenger's Baggage (Levy of Fees) Regulations, 1966 are superseded by Baggage (Declaration & Processing) Regulations, 2026 to consolidate all baggage-related procedural provisions into a single, comprehensive and facilitative framework.

c. Legislative changes

(with effect from the date of enactment of Finance Bill, 2026)

Customs Act, 1962

Section 1(2)

- Sub-section 2 is proposed to be amended to extend the Act's jurisdiction to fishing and fishing-related activities undertaken by Indian-flagged fishing vessels beyond India's territorial waters.

Section 2 (28A)

- A new clause 28A is proposed to be inserted in Section 2 to define "Indian-flagged fishing vessel".

Section 28J (2)

- Sub-section 2) of the Customs Act is proposed to be amended to extend the validity of an advance ruling to five years, or until a change in law or facts, whichever is earlier, as against the present validity of three years. Further, any advance ruling in force on the date the Finance Bill, 2026 receives Presidential assent shall, upon request, have its validity extended to five years from the date of the ruling.

Section 28(6)(i)

- Section 28(6)(i) of the Customs Act is proposed to be amended to deem penalty paid u/s. 28(5) as charge for non-payment of duty.

Section 56A

- A new Section 56A is proposed to be inserted to (a) allow duty-free import of fish harvested beyond territorial waters, (b) deem fish landed at foreign ports as exports, and (c) empower the Government to prescribe regulations in respect of fish harvested by Indian-flagged fishing vessel.

Section 67

- Section 67 of the Customs Act is proposed to be substituted to do away with the requirement of prior permission of the proper officer for removal of warehouse goods from one custom bonded warehouse to another.

Section 84

- Section 84 of the Customs Act is proposed to be amended to expand the powers of the CBIC to make provisions for the custody of goods imported or to be exported by post/ courier.

Customs Tariff Act, 1975

- The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to, add 148 new tariff entries in chapter 03, 08, 12, 13, 20, 21, 22, 25,26, 28, 29, 33, 39, 41, 47, 48, 73, 81, 84, 85, 86, substitute/delete 54 tariff entries and amend 2 tariff entries in chapter 29 and 1 tariff entry in chapter 85.
- Further the tariff rate on certain tariff items is being modified with effect from 02.02.2026 and the rates on certain other tariff items are also being modified as part of rate rationalisation with effect 01.04.2026.
- In respect of various goods, to operationalize effective basic customs duty rates from First Schedule instead of exemption notifications, new tariff lines have been created and the rate of duty for certain existing tariff lines has been amended. This is a simplification exercise and there is no change in the applicable rate of duties on such goods.
- New tariff lines are also being introduced to help in better identification of the coated pipes for exports, getting actual transaction data of precursor chemicals and help in their effective monitoring, facilitating, tracking exports and deciding policy measures for Plant based extract products, and providing boost to ecofriendly industries.

Goods and Service Tax

- The Government proposes key changes to ease the treatment of post-sale discounts. Under the revised Section 15(3), suppliers will no longer need a pre-existing written agreement (entered at or before the time of supply) to claim such discounts. Instead, they can issue a credit note under Section 34, provided the recipient reverses the proportionate input tax credit (ITC) on the discounted amount.

  Section 34 is also being updated to explicitly reference Section 15, ensuring seamless alignment between supply valuation and post-supply adjustments via credit or debit notes.

Key Impacts for Businesses:

- Simplified Compliance: Removes the burden of proving agreement validity, matching GST rules with real-world commercial practices in retail, wholesale, and B2B sectors.
- Reduced Disputes: Minimizes litigation risks at authorities or ITAT by clarifying interpretational grey areas.
- Revenue Safeguards: Protects government interests through mandatory ITC reversal by recipients.
- Business Benefits: Lowers documentation costs, speeds up credit note processing, improves working capital flow, and boosts ease of doing business.

These changes promise significant relief for taxpayers while maintaining fiscal discipline.

- The amendment to section 54(6) extends provisional refund benefits to claims arising from inverted duty structures. This ensures parity by including such cases within the provisional refund mechanism, enabling timely release of eligible amounts.

  Taxpayers facing input tax credit accumulation due to inverted rates will benefit from improved liquidity, reducing working capital strain and supporting smoother business operations

  Section 54(14) is amended to eliminate the existing ₹1,000 threshold for refund claims on goods exported out of India with payment of integrated tax. Currently, no refunds under Sections 54(5) or 54(6) are processed for claims below this limit. The change allows processing of even small-value export refunds without rejection.

  Small exporters and MSMEs with low-value shipments gain faster access to legitimate dues, enhancing cash flow and export competitiveness. It streamlines GST administration by removing the need to filter trivial claims, while preserving revenue safeguards for verified exports, with minimal fiscal impact.

  These Budget 2026 changes promote ease of doing business and liquidity for exporters and inverted structure taxpayers.

- With effect from 1st April 2026, a new sub-section (1A) is proposed to be inserted in Section 101A of the Central Goods and

Services Tax Act, 2017. This empowers the Central Government, via notification, to designate any existing authority or tribunal (including tribunals, as clarified in the Explanation) to hear and dispose of appeals under Section 101B against conflicting advance rulings, until the National Appellate Authority (NAA) is formally constituted. Importantly, the detailed procedural requirements under sub-sections (2) to (13) of Section 101A will not apply, enabling simplified and expedited hearings by established benches.

Key Impact for Taxpayers: This transitional measure ensures seamless continuity in adjudicating critical GST disputes—such as on classification, valuation, or rate applicability—preventing pendency and delays during the NAA setup phase. Businesses will benefit from reduced compliance costs, lower uncertainty, and faster resolutions on advance ruling conflicts.

- The proposed omission of clause (b) of sub-section (8) of section 13 of the IGST Act, 2017, shifts intermediary services to the default place of supply rule under section 13(2) – recipient's location – yielding balanced impacts on exports, imports and RCM. Exports from India to foreign recipients now qualify as zero-rated supplies (LUT/bond or refundable IGST) when paid in foreign exchange and parties are distinct, boosting cash flow for Indian service providers without GST outflow. Imports into India from foreign suppliers trigger RCM liability on Indian recipients, who pay GST (eligible for ITC offset barring section 17(5) blocks), ensuring revenue neutrality. This resolves prior export discrimination, cuts classification litigation, aligns with destination-based GST, and maintains ITC discipline across cross-border flows.

Special Economic Zone

- To mitigate the adverse impact of global trade disruptions on the capacity utilization of manufacturing units operating in Special Economic Zones (SEZs), the Hon'ble Finance Minister, in her Budget Speech, announced a special one-time relief measure.
- Under this proposal, eligible SEZ units will be permitted to sell a specified portion of their manufactured goods in the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports.

❑❑

KEY POLICY CHANGES IN FY 2026-27 AND BUDGET AMENDMENTS 2026

FEMA/RBI

- Export of Goods and Services (Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025, notified 13 November 2025).
  a. Extended export proceeds realisation period from 9 months to 15 months
  b. Increased write-off period for unrealised export bills from 1 year to 3 years
  c. Increased period of exports against advances from 1 year to 3 years
  d. Empowered AD banks to close pending EDPMS entries for under/non-realisation
- Foreign Currency Accounts (Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Seventh Amendment) Regulations, 2025)
  a. Permitted residents to open foreign currency accounts in IFSC (treated as "outside India") and extended exporters' retention period in IFSC accounts from 1 month to 3 months.

SEBI

- SEBI notified the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 on 3rd December 2025 which updates the valuation and compliance framework applicable to takeover transactions, including open offers. The amendments seek to enhance transparency in pricing, improve investor confidence, and ensure independent valuation where acquisition consideration or traded volume creates pricing ambiguity.
- SEBI notified amendment in the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 on 22nd January 2026 and Master Circular (HO/49/14/14(7)2025-CFD-POD2/I/3762/2026)

dated 30th January 2026 which consolidates all earlier circulars on LODR compliance into a single updated version, superseding the November 2024 circular. This provides clarity, uniformity, and a single reference for listed entities, ensuring effective compliance with LODR regulations.

- SEBI has notified the SEBI (Mutual Funds) Regulations, 2026, replacing the existing regulatory framework governing mutual funds in India on 14th January 2026. The new regulations aim to consolidate and streamline the regulatory provisions applicable to mutual funds in order to enhance clarity, consistency, and transparency across all aspects of mutual fund operations and supervision.

- SEBI has issued a new circular (SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128) dated 10th September 2025 introducing a revised regulatory framework for Angel Funds under the SEBI (Alternative Investment Funds) Regulations, 2012. The changes are aimed at enhancing ease of doing business, ensuring better risk management, and providing operational clarity to Angel Funds.

- SEBI notified amendment to SEBI (Delisting of Equity Shares) Regulations, 2021 on 3rd September 2025 to introduce a special delisting framework for PSUs. It allows eligible PSUs (excluding banks, NBFCs and insurers) to delist through a fixed price mechanism instead of reverse book building, subject to a 90% shareholding threshold held by the Government/PSUs. The amendment also mandates shareholder approval via special resolution and prescribes valuation-linked pricing safeguards to protect minority shareholders.

- SEBI notified the SEBI (Stock Brokers) Regulations, 2026 on 8th January 2026 and repealed the SEBI (Stock Brokers) Regulations, 1992 seeking to balance regulatory flexibility with heightened accountability and investor protection.

- The Reserve Bank of India ("RBI"), vide its Circular No. RBI/2024-25/41 A.P. (DIR Series) Circular No. 09 dated 07-June-2024, expanded the ambit of overseas portfolio investment to include any investment in an overseas fund which is regulated, or in an investment fund/ vehicle set up in an International Financial Services Centre.

- Vide Notification No. FEMA 5(R)/(4)/2024-RB dated 06-May-2024, RBI has permitted a person resident outside India to open, hold or maintain an interest-bearing account in INR or foreign currency for the purpose of posting and collecting margin in India for a permitted derivative contract.

- Vide Notification No. RBI/2024-25/46 A.P. (DIR Series) Circular No. 12 dated 03-July-2024, the RBI has permitted submission of Form A2 in physical or digital form irrespective of the value of transaction.
- RBI has launched 'PRAVAAH' (Platform for Regulatory Application, Validation and Authorisation) portal for obtaining various regulatory approvals (including compounding process) in a seamless manner.

❑❑

CAPITAL MARKET

Capital markets help finance economic growth by channelising savings to investments. They are catalysts for wealth creation in the economy. The year FY26, so far, has been eventful for the economies and markets worldwide, including those in India. In the midst of continuous shifts in trade policies and uncertainties, India's equity markets exhibited a phase of measured yet resilient performance, reflecting the interplay of supportive policies, macroeconomic conditions and sustained domestic investor participation. The imposition of US tariff sanctions, weaker-than-expected corporate earnings in Q1 FY26 and foreign capital outflows collectively weighed on market sentiment. However, a series of measures, including a personal income tax cut, a GST overhaul, easing of monetary policy, and receding inflation, as well as improved corporate performance in Q2 FY26, supported the market during the period.

Nifty 50 and BSE Sensex registered gains of approximately 11.1 per cent and 10.1 per cent, respectively, during April-December 2025, marking a period of correction and consolidation following the robust rally observed in the preceding fiscal year.

In comparative terms, India's equity market performance was subdued relative to its global peers such as South Korea (KOSPI), the US's NASDAQ, Japan's Nikkei, China's CSI 300 and Singapore's STI. In India, sectoral trends reflected the broader macroeconomic narrative. Financial, capital goods, and consumer-oriented sectors outperformed, supported by healthy credit growth and domestic consumption, while IT and export-driven segments lagged amid muted external demand.

Reflecting the strength of India's financial ecosystem, the primary markets in FY26 (up to December 2025) remained resilient and vibrant, leading the world in initial public offers (IPOs) issuances. This strong performance was underpinned by sound macroeconomic fundamentals, robust investor participation and the continued finetuning of regulatory frameworks by SEBI, despite global headwinds. India's primary markets continued to attract both domestic and international investors, reinforcing the country's position as a key driver of global capital formation.

The total resource mobilisation from primary markets, encompassing both debt and equity, stands at ₹10.7 lakh crore during FY26 (till December 2025). Over the past five years, from FY22 to FY26 (till December 2025), India's primary markets have been instrumental in channelising savings into productive investments, mobilising a total of ₹53 lakh crore through equity and debt issuances. Of this, ₹14 lakh crore was raised through equity issuances.

IPO volumes in FY26 (up to December 2025) were 20 per cent higher than FY25, and the amount mobilised was 10 per cent higher than the corresponding period of FY25. Listings on the main board, the primary market for established companies meeting stricter regulatory and size thresholds, rose from 69 to 94, with the amount raised increasing from ₹1,46,534 crore to ₹1,60,273 crore. A notable feature of IPO activity in FY26 (up to December 2025) was the prominence of Offer for Sale (OFS) components, where existing shareholders sell their stakes rather than the company issuing new shares. OFS accounted for 58 per cent of the total proceeds.

The activity in the small and medium (SME) segment also continued to exhibit a buoyant trend during FY26, reflecting sustained investor interest and growing confidence in emerging enterprises. The number of SME listings in FY 26 (up to December 2025) increased to 217 from 190 in FY25 (up to December 2024). The amount mobilised increased from ₹7,453 crore to ₹9,635 crore. Since its inception, more than 1,380 companies have been listed on the SME platforms of BSE and NSE, cumulatively raising over ₹35,000 crore, highlighting the expanding footprint of India's entrepreneurial base within the formal capital market framework. Of these, around 350 companies have migrated to the mainboard platform, underscoring the role of SME exchanges as a stepping stone for high-potential firms.

During FY26 (till December 2025), 235 lakh of demat accounts were added, pushing the total count beyond 21.6 crore. A key milestone was the crossing of the 12-crore mark for unique investors in September 2025, with nearly a fourth of them being women. The mutual fund industry also expanded, with 5.9 crore unique investors as at the end of December 2025, of which 3.5 crore (as of November 2025) were from non-tier-I and tier-II cities, underscoring the diffusion of financial participation beyond traditional urban centres.

A well-developed corporate bond market is indispensable to India's financial system and its path toward becoming a Viksit Bharat by 2047. Such a market channels institutional and household savings into productive sectors, strengthens efficient price discovery through a robust yield curve and supports the development of critical risk management instruments such as credit derivatives and securitisation. For the financial sector specifically, a deep corporate bond market reduces systemic concentration risk and dependence on bank-dominated financing, thereby strengthening overall financial stability. By diversifying funding sources, the corporate bond market enables banks to redirect resources toward priority sectors, including rural credit, infrastructure, and MSMEs, advancing financial inclusion while lowering systemic fragility. Additionally, a vibrant bond market helps to lower borrowing costs through competitive pricing and improved liquidity.

India's corporate bond market has demonstrated impressive growth, with outstanding issuances increasing from ₹17.5 trillion in FY15 to ₹53.6 trillion in FY25, growing with an annual rate of approximately 12 per cent. In FY25, the highest-ever fresh issuances were recorded, totalling ₹9.9 trillion. As of March 2025, the corporate bond market accounts for 15-16 per cent of the country's GDP and corporate bond fundraising now complements bank credit, reflecting growing investor confidence and a gradual shift towards market-based financing.

In FY26, the debt market accounted for over 63 per cent of total resource mobilisation from the primary market in April-December 2025. Government and SEBI initiatives to deepen the bond market contributed to the value of corporate bond issuances reaching ₹6.8 lakh crore by the end of December 2025. Private placements, accounting for more than 99 per cent of total resources mobilised through the bond market, remained the preferred mode.

Despite the recent progress, a significant potential remains untapped in the country compared to global peers: South Korea's corporate bond market is 79 per cent of its GDP, in Malaysia, it is 54 per cent of its GDP, and in China, 38 per cent. Furthermore, India's debt market is skewed towards highly rated borrowers (AAA or AA-rated), which accounts for 85-90 per cent of bond issuances. In contrast, the US presents a more liquid and mature corporate debt market catering to various segments. The US has less than five per cent of its bond issuances from AAA-rated categories, with over 60 per cent of its issuances in the A- and BBB-rated categories. In India, with the dominance of private placements, public offerings remain limited, deterring access for small firms. The secondary market remains shallow, with India's annual bond turnover ratio in secondary markets at 0.3, lower than that of Indonesia (1.17) and China (1.16).

The major issuers in the corporate debt market include Public Sector Undertakings, Public Financial Institutions, and banks. As of 31 December 2025, the market comprised 6,351 issuers with a total of 29,638 instruments outstanding. The principal investor base consists of banks, insurance companies, pension funds, mutual funds, and NBFCs. Out of approximately 30,000 ISINs, only 400-500 ISINs are traded on a daily basis. New issuances are traded for a month or so, and then they are held until maturity, essentially becoming a type of investment. The daily average secondary market volume ranges from ₹7,000 crores to ₹10,000 crores. Only a small group of institutional investors participate in the primary markets, which limits the supply of bonds available for trading in the secondary market.

❑❑

ECONOMIC OUTLOOK

Global Economy

According to the IMF's World Economic Outlook (WEO), October 2025, US households and businesses increased their spending ahead of expected tariff hikes. In some instances, delays in tariff implementation allowed businesses to postpone raising prices and increase their exports. As a result, global economic activity has remained relatively stable in the short term. This is reflected in the IMF's projections of growth and inflation for advanced economies (AEs) and emerging market and developing economies (EMDEs) made at various points in time between January 2025 and January 2026. Growth in EMDEs for the year 2025 is eventually higher than the levels projected in April 2025, while that in AEs is projected to be better than initially feared, primarily driven by strong growth in the US. The global economy has entered a phase in which geopolitical considerations exert a much stronger influence than they did in the 2010s. Rapidly evolving country alignments and supply chains, as well as technological developments, necessitate supplementing traditional economic assessments with a geopolitical perspective.

Indian Economy

Even as the global economy navigates uncertainty, India continues to chart a strong growth path, as reflected in the First Advance Estimates (FAE) for FY26 released by the Ministry of Statistics and Programme Implementation (MoSPI). These estimates place the real GDP growth rate at 7.4 per cent and the GVA growth rate at 7.3 per cent, surpassing earlier projections by various agencies and our own estimates in the Economic Survey of 2024-25, and reaffirming India's status as the fastest-growing major economy for the fourth consecutive year.

India's growth outlook remains positive, supported by strong domestic demand, structural reforms, and a stable macroeconomic environment. The country received three sovereign rating upgrades during the year. Inflation outlook remains benign. Continued public investment, deregulation, labour market reforms, human capital investments, tax reforms, digital transformation, and the formalisation of the economy are expected to drive the economy into a higher growth trajectory, as indicated in the Economic Survey. Strong balance sheets in the corporate and financial sectors are also expected to drive a virtuous cycle of growth, fuelled by increased private-sector investment. One risk factor is the persistence of high tariffs on exports to the USA. It also affects investor sentiment, keeps capital inflows into India restrained, and forces Indian businesses to invest in lower-tariff jurisdictions or in the United States itself to cater to the large US domestic market. Weak net capital inflows keep the currency under pressure.

Inflation

Inflationary pressures have moderated primarily due to lower food prices, with average retail inflation easing to 1.7 per cent in FY25 (April–December) compared to 4.9 per cent in the corresponding previous period. The Reserve Bank of India projects annual retail inflation at 2 per cent for 2025–26, and at around 4 per cent for H1 FY27, all within the target band.

External Sector

India's total exports (merchandise and services) reached $ 825.3 billion in FY25, with continued momentum in FY26. Despite tariffs imposed by the United States, merchandise exports grew by 2.4 per cent (April–December 2025), while services exports increased by 6.5 per cent. Merchandise imports for April-December 2025 increased by 5.9 per cent.

The current account deficit declined to 0.8 per cent of GDP in H1 FY26 from 1.3 per cent in H1 FY25. Foreign exchange reserves stood at $ 687.2 billion as of 9 January 2025, providing a strong buffer against external shocks, as they cover 92 per cent of India's external debt (outstanding at the end of September 2025) and 11 months of merchandise imports.

Foreign Exchange Reserves & Exchange Rate

India's foreign exchange reserves increased to $ 701.4 billion as of 16 January 2026, up from $ 668.3.4 billion as of the end of March 2025. The increase has come at a time when global interest-rate differentials, capital flows and commodity prices remain volatile. This expansion in reserves has helped steady India's external position despite shifts in global risk sentiment and episodes of portfolio outflows. In terms of adequacy, the reserves as of 16 January 2026 are sufficient to cover around 11 months of goods imports and about 94 per cent of the external debt outstanding at the end of September 2025, providing a comfortable liquidity buffer.

Developments in Capital Markets

Resource mobilisation from primary markets reached ₹7.1 lakh crore in FY26 (April–September 2025). By the end of September 2025, the mutual fund industry's assets under management had expanded by 13 per cent to ₹75.6 lakh crore, and retail investor participation crossed the milestone of 12 crore unique investors. The banking sector remains robust, with declining Non-Performing Asset (NPA) ratios (2.1 per cent), strong capital adequacy of 17.2 per cent, and robust profit and return matrices as of September 2025. Monetary policy has been accommodative, with a cumulative reduction of 125 basis points in the policy rate since February 2025 and with a 'neutral' stance since June 2025. This has resulted in a 69-basis-point reduction in the weighted average lending rate for new loans.

Monetary and liquidity conditions

In the light of the evolving macroeconomic and financial developments outlined in the previous section, the RBI undertook several key monetary policy actions in FY26 (April-December). These measures were designed to support economic growth while maintaining price stability. In response to the easing inflation, the RBI's Monetary Policy Committee (MPC) cumulatively reduced the repo rate by 100 basis points during its meetings from April to December 2025. As of December 2025, the repo rate stands at 5.25 per cent. These reductions were aimed at boosting credit flow, investment, and overall economic activity. Furthermore, in consideration of the prevailing and expected inflation-growth dynamics, the MPC's stance was changed from accommodative to neutral in June 2025. This neutral stance has been consistently maintained since then, allowing the MPC the flexibility to respond to economic conditions as necessary.

Along with the 100-bps cut, the RBI also injected durable liquidity of ₹2.39 lakh crore through nine Open Market Operations (OMO) purchases during April-May 2025. Furthermore, in light of the evolving liquidity conditions and outlook, the RBI conducted OMO purchases of ₹1 lakh crore and a 3-year USD/INR buy-sell swap of USD 5 billion in December to inject durable liquidity into the system. As a result, system liquidity, as measured by the net position under the liquidity adjustment facility (net LAF), was on average in surplus of about ₹1.89 lakh crore during FY26 (up to 8 January 2026), significantly higher than ₹1,605 crore in FY25. Reflecting surplus liquidity conditions, banks' recourse to the marginal standing facility (MSF) declined while their deployment of surplus funds under the SDF increased. Borrowings under the MSF declined to an average of ₹2,244 crore in FY26 (as of 8 January 2026) from ₹6,902 crore in FY25. Concomitantly, the deployment of funds under the SDF increased to an average of ₹1.74 lakh crore in FY26 (up to 8 January 2026) as compared with ₹0.94 lakh crore in FY25.

Central Government Finances

The Union Government's fiscal deficit was 54.5 per cent of the budget estimate as of December 2025, in line with annual targets. Revenue and tax collections have increased, though at a moderate pace, and capital expenditure has grown by 15 per cent year-on-year during April–December 2025. The overall fiscal position remains stable.

The Central Government's total expenditure during April – December 2025 was ₹33.81 lakh crore. Within the total expenditure, capital expenditure stood at ₹7.88 lakh crore. Effective capital expenditure (defined as capital expenditure plus Grant-in-Aid for creation of capital assets) was ₹9.66 lakh crore. Fiscal Deficit in RE 2025-26 is estimated at 4.4 per cent of GDP, at the same level as BE 2025-26. The Revenue Deficit and Primary Deficit are projected at 1.5 and 0.8 per cent of GDP, respectively, in RE 2025-26.

Growth Outlook

The global economy continued to be resilient and is projected to grow at a rate of 3.3 per cent in calendar year 2026 and at 3.2 per cent in 2027, according to the International Monetary Fund's World Economic Outlook of January 2026. This forecast is at par with the 3.3 per cent outturn in 2025 and remains below the long-term average of 3.7 per cent. Global headline inflation is expected to moderate, though the pace of decline varies across economies.

While the current economic stability reflects a balance between surging sectoral investment and shifting trade policies, this equilibrium remains precarious. Growth prospects continue to be vulnerable to geopolitical escalation and renewed trade tensions, both of which threaten to disrupt global flows. Aligning fiscal discipline with growth friendly investments is seen as necessary to insulate the economy against adverse global shocks.

❑❑

SECTORAL ANALYSIS

Agriculture and Allied Sectors **Positive**

Budget Proposal

- The sector receives an increased allocation of 1.63 lakh crore, reaffirming the government's continued focus on strengthening rural incomes and farm resilience.
- The Kisan Credit Card (KCC) limit has been enhanced to ₹5 lakh, expanding access to affordable short-term credit for farmers as well as dairy and fisheries participants.
- Development of 500 reservoirs/Amrit Sarovars under fisheries, along with strengthening of coastal value chains and market linkages to improve production and distribution efficiency.
- Launch of Bharat-VISTAAR, a multilingual AI-based advisory platform integrating Agri Stack and ICAR to provide farmers with real-time, technology-driven guidance.
- Promotion of animal husbandry entrepreneurship through credit-linked subsidies and scaling up of livestock enterprises.

Impact

- Improved access to better inputs, credit, storage, and logistics infrastructure is expected to enhance farm productivity, reduce post-harvest losses, and improve income stability for farmers.
- Stronger procurement systems and supply chains should reduce price volatility and ensure more predictable and better market realizations, supporting overall farm profitability.
- Greater focus on allied activities such as dairy, fisheries, and livestock will diversify rural income sources and strengthen resilience, although benefits will depend on effective implementation and may be moderated by fiscal and climate-related risks.

Tourism **Positive**

Budget Proposal

- Development of 15 archaeological and heritage sites as experiential tourism destinations to promote cultural and historical tourism

- Establishment of a National Institute of Hospitality and training of 10,000 tourist guides through a structured skill development programmed to enhance service quality and professional standards.
- Reduction of TCS on overseas tour packages to 2% to ease cash-flow burden and stimulate travel demand.
- Creation of 5 regional medical tourism hubs, integrating hospitals, diagnostics, AYUSH, and rehabilitation facilities.
- Expansion of Buddhist tourism circuits in North-Eastern states, along with preservation of monasteries and improvement of pilgrim amenities.

Impact

- Lower travel costs and integrated tourism ecosystems are likely to boost sector competitiveness, attract higher spending, and support sustained growth in tourism revenues
- Heritage, spiritual, eco, and medical tourism initiatives should diversify offerings and create employment opportunities, particularly in regional and underserved areas.
- Improved infrastructure and skill development are expected to enhance service standards and visitor experience, increasing domestic and international tourist inflows.

Infrastructure & Energy — Positive

Budget Proposal

- Public capital expenditure increased to ₹12.2 lakh crore (FY27 BE), maintaining a strong infrastructure-led growth strategy.
- Development of a new Dankuni–Surat Dedicated Freight Corridor, along with expansion of 20 new National Waterways and associated logistics ecosystems.
- Launch of a Coastal Cargo Promotion Scheme to raise the share of inland waterways and coastal shipping in freight movement.
- Creation of City Economic Regions (CERs) with ₹5,000 crore allocation per region over five years to support integrated urban-industrial development and regional growth hubs.
- Launch of 7 High-Speed Rail Corridors to improve inter-city connectivity and integrate major economic clusters across regions.

- Establishment of a ₹25,000 crore Infrastructure Risk Guarantee Fund to enhance project bankability and attract private participation in large urban and infrastructure projects.
- Continued support through Urban Challenge Fund and AMRUT allocations ₹8,000 crore for water supply, sanitation, and urban renewal projects.

Impact

- Higher capital spending across transport and urban infrastructure is expected to drive economic growth, create employment, and crowd-in private investment through strong multiplier effects.
- Improved freight corridors, rail networks, and upgraded city infrastructure should reduce logistics costs, enhance mobility, and strengthen regional trade and industrial competitiveness.
- Integrated urban development and risk-sharing mechanisms are likely to accelerate project execution, support balanced urbanisation, and enable sustainable long-term growth, subject to efficient implementation.

Textile — Positive

Budget Proposal

- Launch of an Integrated 5-part Textile Programme, covering the National Fibre Scheme, textile expansion and employment, handloom and handicrafts support, sustainability (Tex-Eco), and Samarth 2.0 for skilling.
- Establishment of Mega Textile Parks under a challenge-based approach, with emphasis on technical textiles, scale efficiencies, and higher value addition.
- Implementation of the Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom, and handicrafts through improved branding, quality enhancement, and skill development.
- Extension of export timelines for textiles, leather, and footwear from 6 months to 1 year, providing operational flexibility to exporters.

Impact

- Integrated schemes and modern textile parks are expected to enhance scale, productivity, and competitiveness across the value chain, attracting investment into higher-value segments.

- Skilling, cluster development, and support for handloom and handicrafts should generate employment and strengthen rural and MSME participation in the sector.
- Export facilitation and value addition initiatives are likely to boost global competitiveness and increase textile exports, supporting long-term industry growth.

Manufacturing, MSME & Exports — Positive

Budget Proposal

- Launch of India Semiconductor Mission (ISM 2.0) to strengthen domestic semiconductor manufacturing through support for equipment, materials, R&D, and supply-chain development.
- Creation of a ₹10,000 crore SME Growth Fund to provide scale-up capital and develop globally competitive MSME champions.
- Additional ₹2,000 crore top-up to the Self-Reliant India Fund to enhance risk capital and financing access for micro and small enterprises.
- Export facilitation measures, including extended export timelines and simplified trade processes, to improve operational flexibility and competitiveness for manufacturers.

Impact

- Enhanced access to capital, faster receivables, and lower input costs are expected to improve MSME liquidity, productivity, and capacity expansion, strengthening the manufacturing base.
- Strategic investments in semiconductors, critical minerals, and textiles should reduce import dependence and boost domestic value addition, supporting the Make-in-India agenda.
- Trade facilitation and export support measures are likely to increase global competitiveness, promote exports, and attract private and foreign investment, driving long-term industrial growth.

❑❑