

India Budget 2026

- *Key Tax Changes Proposed*



Corporate Tax



New Income Tax Act to be **made applicable from 1 April 2026**



No change in Corporate Tax rates for Tax Year 2026-27



Minimum Alternate Tax reduced to 14%.

To be treated as final tax; no credit available from 1 April 2026.

On applying beneficial tax regime, a company could claim credit equal to capping of 25% of the total tax liability



IFSC Tax Holiday extended to 20 years (out of 25 years).

Post tax holiday period, tax on IFSC shall be 15%

Business Tax Amendments

Delay in deposit of Employee's Contribution of EPF

When there is a delay in deposit of EPF or employer's contribution of welfare fund as per respective Act but the same is deposited on or before due date of filing the tax return - it will still be allowed as tax deductible.

Electronic processing of lower withholding tax

“Small taxpayer” now has option to file an application for issuance of certificate for lower or nil withholding tax certificate which shall be processed based on electronic verification

Meaning of small taxpayer, prescribed authorities to be provided in due course.

TDS on Manpower Supply

Withholding tax to apply on manpower supply @ 1% if paid to individual / HUF and 2% for others

Business Tax Amendments

01



Buy Back

Share buy back to be taxed as capital gains. Promoters effective tax liability @ 30%; if company – 22%

02



Decriminalization of minor offences

Offences that are viewed as minor proposed to be decriminalized (for e.g., non-production of books, TDS on in-kind transfers and in certain cases where tax amounts do not exceed INR1 million) also maximum imprisonment for prosecution limited to 2 years

03



TCS rate updated

TCS rates changed for some items –notably – LRS remittances and overseas tour package – 2% (from earlier 5%)

No change in TDS rates

Non-Resident Tax Changes



Data Centre Service Income

Services provided to India users routed through an Indian reseller entity – exemption from tax until 2047; reseller entity safe harbor of cost + 15%

Capital Equipment Supply

Income from supplying capital equipment to a contract manufacturer in custom bonded warehouse and producing electronic goods – exempt from tax

Safe Harbour for IT / ITeS

All IT, ITeS, KPO, R&D to qualify as IT Services. Uniform safe harbour margin of 15.5% (eligibility threshold increased to INR 20 Billion); can be used for 5 consecutive years.

Advance Pricing Agreement to be attempted to close within 2 years

New Fee replaces Penalty provisions

Delay in filing Tax Audit

INR 75,000 for delay upto 1 month,
INR 150,000 for delay more than 1
month

01

Delay in Transfer Pricing Audit

INR 50,000 for delay upto 1
month; INR 100,000 for delay
more than 1 month

02

Failure to furnish Statement of Financial Transaction (SFT)

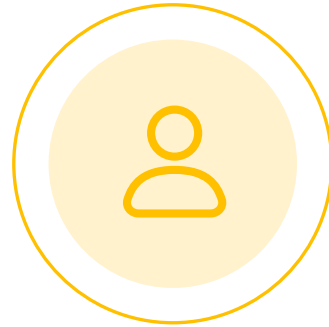
INR 200 for every day until such
failure continues; capped at INR
100,000

03

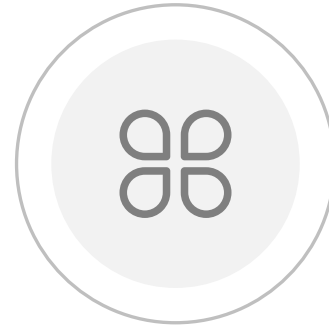
Procedural



Penalty to be finalized at the time of assessment itself; in same order (Applicable for all order passed after 1 April 2027)



No interest on penalty amount during pendency of appeal before CIT(A) or DRP.



Deposit required for stay of demand reduced from 20% to 10%



Immunity from penalty is also available in case of misreporting of income. Upon payment 100% of the amount of tax



Tax Return Filing

Particulars	Due Date	Change
All taxpayer with Transfer Price applicable	30 November	No Change
<i>Taxpayer with No Transfer Price applicable (see below)</i>		
All company	31 October	No Change
All taxpayer other than Company but subject to tax audit	31 October	No Change
All taxpayer other than company and also not subject to tax audit (with business / trust income)	31 August	Additional 1 month
All other taxpayer	31 July	No Change
Revised Tax Return with fee	31 March (from 31 December)	Additional 3 month

Due date to file belated tax return and audits remains the same

Updated Tax Return

Updated Tax return can be filed where there is reduction in losses

Updated return possible to file even where reassessment proceedings is initiated; taxpayer will have to pay additional 10 % of the aggregate of tax and interest payable





Individual Taxation

01

No Change in Tax Slabs; Old regime continue to be available; New regime will be default

02

Foreign-sourced income of an individual visiting India for rendering services in connection with a notified scheme will be exempt from tax in India for a period of five consecutive tax years,

03

Interest awarded by Tribunal under the Motor Vehicle Act – tax exempt;
no withholding to be applied

04

Withholding can be done using PAN based challan even immovable property is purchased from non-resident

05

Taxpayer get an option of submitting common Form 15G/H to depository which in-turn share with each units

06

No interest expense deduction against dividend income or income from units of mutual funds.

07

No penalty/ prosecution under Black Money Act, where foreign assets being immovable property, does not exceed INR 2 Million.

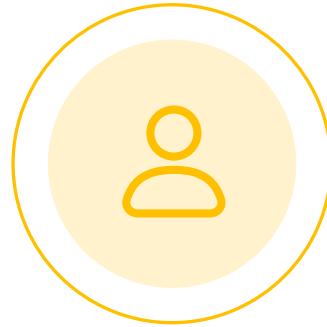
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One-time foreign assets disclosure scheme announced

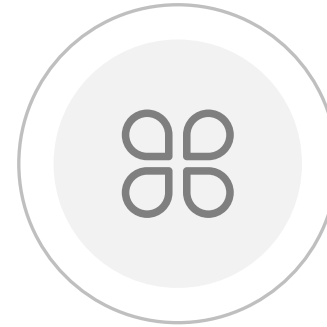
Goods and Service Tax



Export of services to be determined based on **place of recipient; issue of intermediary resolved**



Provisional refund allowed for refunds arising out of inverted duty structure



Post-sale discounts through a credit note; the recipient to reverse the corresponding input tax credit (ITC).



Duty deferral for
Authorized Economic
Operator (AEO) - tier 2
and 3 AEO available for
30 days



Requirement of officer
approval from shifting of
goods between custom
bonded warehouse
deleted



Single window for
approvals; updates for
better cargo clearance
system to be introduced



New baggage rules with
updated threshold to be
announced

Please feel free to write to us
for clarifications



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