



Indian Union Budget 2026

Comprehensive Analysis of Tax Reforms, GST & Customs Amendments

FEBRUARY 2026

OVERVIEW

Direct Tax Reforms

The Union Budget 2026-27 introduces significant reforms in direct taxes. The New Income Tax Act, 2025, comes into effect from April 1, 2026, focusing on simplified procedures and enhanced ease of compliance for taxpayers.

Simplification

Streamlined tax compliance procedures

Non-Resident Rules

Updated transaction frameworks

Due Date Relief

Extended filing deadlines

Penalty Reform

Rationalized prosecution norms

Tax Compliance Simplification

Key Changes

Multiple amendments designed to reduce compliance burden and provide clarity for taxpayers across various categories.

Major Updates

- Exemption of interest income under Motor Vehicles Act, 1988 with no TDS requirement
- TDS on manpower supply clarified: 1% for individuals/HUF, 2% for others
- Lower/nil TDS certificates now available through electronic application
- Single declaration for non-deduction via Form 15G/15H through depository
- Non-life insurance businesses can claim expenditures without TDS

TCS Rate Amendments

Tax Collected at Source rates have been standardized across multiple categories, simplifying compliance for businesses. Most rates are now unified at 2%, with significant reductions for overseas tour packages and foreign remittances.

Alcoholic Liquor & Scrap

Rate increased from 1% to 2% on sale transactions

Tendu Leaves & Minerals

Rate reduced from 5% to 2% for tendu leaves; minerals increased to 2%

Overseas Tour Packages

Simplified to flat 2% rate (previously 5% up to ₹10 lakh, 20% above)

Foreign Remittances

Education/medical: 2%; Other purposes: 20% (above ₹10 lakh)



Relaxation in Due Dates

Significant relief for taxpayers with extended filing deadlines starting from FY 2025-26. The government has pushed back key dates to provide more time for compliance and introduced nominal fees for revised returns.

31st August

New ITR filing deadline for non-audit cases and trusts (extended from 31st July)

1

31st March

Final deadline for revised returns with nominal fees: ₹1,000 (income <₹5L) or ₹5,000 (income >₹5L)

3

31st December

Revised return filing with nil fee (previously 9 months limit)

2

One-Time Foreign Asset Disclosure

A 6-month window for small taxpayers—students, tech employees, and returning residents—who failed to disclose foreign income and assets after returning to India. This scheme provides relief from prosecution under specific conditions.

Category A

Undisclosed amount: Up to ₹1 crore

Tax rate: 30% on undisclosed income/asset

Penalty: 100% of tax determined

Category B

Asset value: Up to ₹5 crores

Fixed penalty: ₹1 lakh

Special relief: Foreign movable assets up to ₹20 lakh excluded from prosecution (retrospective from 1.10.2024)



Penalty & Prosecution Rationalization

Major shift from criminal penalties to civil fees for compliance failures. The government is decriminalizing many tax violations, reducing imprisonment risks, and introducing graded punishment based on tax amounts involved.



Audit Failure Penalties

Up to 1 month delay:
₹75,000 fee; Over 1 month:
₹150,000 fee (previously up
to 0.5% of turnover or
₹150,000)



Crypto Asset Reporting

New penalties introduced:
₹200/day for non-
furnishing; ₹50,000 for
inaccurate information



TDS/TCS Prosecution

Graded punishment: Tax
>₹50L = up to 2 years; ₹10L-
₹50L = up to 6 months;
Others = fine only

Co-operative Society Benefits

Enhanced Deductions

Co-operative societies receive expanded tax benefits under both old and new tax regimes, promoting agricultural and member welfare activities.

Dividend Income

Deduction now allowed in new tax regime for dividends from other co-operative societies. 3-year exemption for notified national federations on investments made up to 31.01.2026.

Expanded Scope

Deduction extended beyond milk, oilseeds, fruits, and vegetables to include cattle feed and cotton seeds supplied by members.

Attracting Global Investment

India introduces aggressive tax incentives to position itself as a global hub for technology services, manufacturing, and data infrastructure. These measures aim to attract foreign companies and boost exports.



Data Centre Services

Tax holiday until 2047 for foreign companies providing cloud services globally using Indian data centres



Warehousing Services

2% profit margin on invoice value for bonded warehouse services to non-residents (effective tax ~0.7%)



Electronics Manufacturing

Income exemption for providing capital goods to contract manufacturers until 2030-31



Non-Resident Individuals

Exemption for individuals non-resident for 5 consecutive years rendering notified services in India



GST Amendments Highlights

PART A

The Budget introduces critical GST reforms effective April 1, 2026, focusing on dispute resolution, discount mechanisms, and refund processes. These changes aim to reduce litigation and improve cash flow for businesses.



National Appellate Authority

GSTAT can now hear appeals against conflicting advance rulings, ensuring uniform interpretation across states



Post-Supply Discounts

Pre-existing agreement requirement removed—simply issue credit note and recipient reverses ITC



Faster Refunds

90% provisional refund now available for inverted duty structure; export refunds below ₹1,000 now allowed

Customs Duty Reforms

PART B

Customs amendments focus on promoting domestic industries, simplifying procedures, and supporting green energy initiatives. Key changes include extended advance ruling validity and duty exemptions for strategic sectors.

1

Fishing Vessels

Duty-free import of fish harvested beyond territorial waters; fish landed abroad treated as export

2

Advance Rulings

Validity extended to 5 years; existing rulings can be extended upon request

3

Warehouse Transfers

Permission requirement removed—goods can move freely between warehouses

4

Battery & Aircraft MRO

Duty exemptions extended to BESS batteries and aircraft components for indigenous manufacturing

5

Biogas/CBG Relief

CBG value and GST excluded from excise duty calculation, eliminating cascading taxation

First Kartavya: Accelerating Growth

The first core pillar focuses on manufacturing scale-up, infrastructure development, and MSME empowerment. Strategic investments target seven frontier sectors with substantial capital allocation.



Strategic Manufacturing

₹10,000 crores for Biopharma SHAKTI,
₹40,000 crores for Electronics Components,
ISM 2.0, rare earth corridors, chemical parks



Champion MSMEs

₹10,000 crores SME Growth Fund, ₹2,000
crores Self-Reliant India Fund, expanded
TReDS platform, Corporate Mitras program



Infrastructure Push

₹12.2 lakh crore public capex, 7 high-speed rail
corridors, City Economic Regions with ₹5,000
crores per CER



Second Kartavya: People's Aspirations

Establishing a High-Powered 'Education to Employment and Enterprise' Standing Committee to create skilled career pathways for future generations across multiple sectors.



Healthcare

New career opportunities in medical services and health technology



Orange Economy

AVGC sector development for creative industries



Tourism & Heritage

Cultural tourism and heritage preservation careers



Sports & Design

Professional pathways in sports management and design thinking

Third Kartavya: Inclusive Development

Sabka Sath, Sabka Vikas—development for all. This pillar emphasizes farmer income enhancement, empowerment of Divyangjan (persons with disabilities), mental health infrastructure, and focused development of eastern and northeastern regions.

Farmer Income

Enhanced productivity in agriculture, fisheries, animal husbandry, and high-value crops

Divyangjan Empowerment

Divyangjan Kaushal Yojana and Divyang Sahara Yojana for skill development and support

Mental Health

Second NIMHANS facility in Northern India for trauma care and mental health services

Regional Focus

Purvodaya States and North-East development through Integrated East Coast Industrial Corridor

Key Takeaways

The Union Budget 2026 represents a comprehensive reform agenda balancing economic growth, social welfare, and ease of doing business. These changes position India for sustainable development while supporting taxpayers and businesses.



Accelerate Growth

Manufacturing, infrastructure, MSME support

Fulfil Aspirations

Education to employment pathways

Inclusive Development

Farmers, Divyangjan, regional balance

From simplified tax compliance and extended deadlines to strategic investments in manufacturing and infrastructure, the budget demonstrates the government's commitment to making India a global economic powerhouse while ensuring no one is left behind.

₹12.2L

Public Capex

Crores allocated for infrastructure development

5

Years

Extended validity for customs advance rulings

2047

Tax Holiday

Until this year for data centre services

Thank You

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