AQUILAW IQ

AQUILAW

UNION BUDGET 2026

NOTA BENE UPDATE

AQUILAW

INDEX

INDEX

AGRICULTURE

AGRICULTURE SECTOR

Key Updates

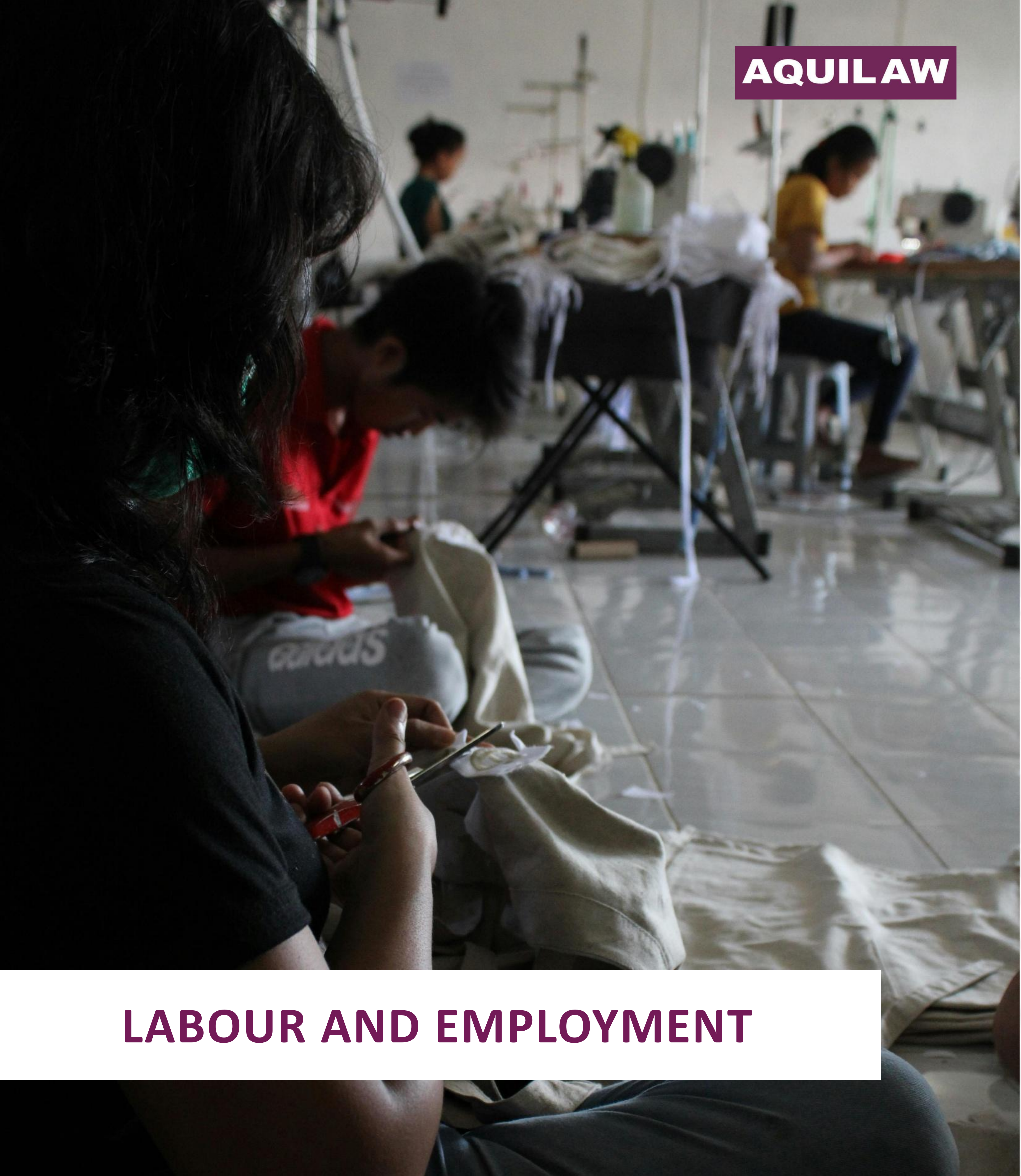
The Union Budget 2026–27 places renewed emphasis on the agriculture and allied sectors, aiming to strengthen farm incomes, enhance productivity, and build resilience against climate and market risks. With a growing focus on technology, diversification into high-value crops, and support for allied activities such as livestock and fisheries, the budget reflects the government's intent to modernize Indian agriculture while ensuring inclusive and sustainable rural growth. The agriculture and allied sectors have received a total budget allocation of INR 1.62 lakh crore, which is about 7% higher than last year, highlighting continued support for the farming sector.

Major Initiatives Announced

- **Technology & Digital Agriculture-Bharat Vistar (AI platform):** A multilingual artificial intelligence tool to integrate government AgriStack data and ICAR farming practices, offering customized advisories in local languages to support decision-making and productivity.
- **High-Value & Diversified Crops Support**: Dedicated push for high-value plantation crops such as coconut, cashew, cocoa, sandalwood, and tree nuts (almonds, walnuts, pine nuts) to boost farm incomes. INR 350 crore specifically targeted for high-value agriculture schemes.
- **Allied Sectors**: Livestock & Fisheries-Increased emphasis on livestock and fisheries, recognizing their contribution to rural incomes. Measures include credit-linked subsidies and programmes to modernize enterprises and strengthen value chains.
- **Credit & Financial Inclusion-Higher farm loan limits**: Subsidized credit limits for farmers extended (e.g., loan limit rises), helping broaden financial access.

Tax Proposals

- Fish caught by Indian vessels in the EEZ or high seas will be duty-free, and landings at foreign ports will be treated as exports.
- Tax deductions for primary cooperative societies expanded to include cattle feed and cotton seed supplied by members.
- Inter-cooperative dividend income allowed as a deduction under the new tax regime when distributed to members.
- Dividend income of notified national cooperative federations exempt from tax for 3 years, subject to distribution to member cooperatives.
- Credit-linked subsidies for modernization and expansion of livestock enterprises.
- Promotion of integrated livestock, dairy, and poultry value chains and Livestock Farmer Producer Organizations (LFPOs).



LABOUR AND EMPLOYMENT

LABOUR & EMPLOYMENT

Key Updates

Introduction with capital expenditure on infrastructure outlay pegged at the highest level till date at INR 12.2 lakh Crores, job creation is likely to get a major boost as the Budget places an increased focus on employment-intensive sectors and skill development as follows:

- Focused skill development initiatives announced across multiple sectors:
  - **Hospitality & Tourism**: National Institute of Hospitality to be set up by upgrading National Council for Hotel Management and Catering Technology. Pilot to upskill 10,000 tourist guides at 20 iconic sites via 12-week hybrid programmes.
  - **AVGC (Animation, VFX, Gaming, Comics)**: Government to provide support to Indian Institute of Creative Technologies, Mumbai for setting up AVGC Content Creator Labs in 15,000 schools and 500 colleges.
  - **Inland Waterways & Logistics**: Regional Centers of Excellence to be established for manpower training to ensure availability of skilled personnel.
  - **Healthcare & Allied Health**: Upgradation and establishment of Allied Health Professional institutions proposed. Skills training in 10 selected disciplines (including optometry, radiology and applied psychology) to be rolled out over 5 years. NSQF-aligned programmes to develop multi-skilled caregivers, with a target of training 1.5 lakh caregivers.
  - **Compliance Professionals**: Professional institutions such as ICAI, ICSI and ICMAI to design short-term modular courses and practical tools to develop a cadre of "Corporate Mitras," particularly in Tier-II and Tier-III towns, to help MSMEs meet compliance requirements at affordable costs.

AQUILAW Comments:

These initiatives will strengthen the skilled talent pipeline across high-growth and employment-intensive sectors, improve employability, support formalization of the workforce, and help address sector-specific skill gaps while enabling MSMEs and emerging industries to access trained and job-ready professionals. While the expectation was major announcements focusing on labour / employment will be made in view of full implementation of labour codes from 1 April 2026, infrastructure and skill development related announcements will anyways likely to have positive impact on the job market.

  - **Textile Sector**: Government to formulate Textile Expansion and Employment Scheme for textile cluster modernization. Samarth 2.0 to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions. Key details awaited.

AQUILAW Comments:

Expected to boost employment in the labour-intensive textile sector, improve productivity and competitiveness of clusters, and create a more industry-aligned skilled workforce.

- **GCC (Global Capability Centers) Framework:** Government to propose National framework to promote GCCs in Tier-2 cities with tax incentives. Key details awaited.

AQUILAW Comments:

Likely to accelerate job creation in Tier-2 cities, promote regional economic development, and enable companies to access a wider talent pool at lower operating costs while easing pressure on metro cities.

- **High-Powered Standing Committee on Education to Employment and Enterprise:** Committee to recommend measures focusing on the services sector, analyze the impact of emerging technologies (including AI) on jobs, and propose corresponding upskilling measures.

AQUILAW Comments:

Expected to improve alignment between education and industry needs, support future-ready skill development, and help mitigate technology-driven job displacement risks.

- **Rationalization of provident funds:** Recognized provident funds are to be rationalized by aligning it with the EPF framework, removing outdated percentage and parity-based restrictions considering a cap of INR 7.5 lakhs on employer contributions, and updating investment and recognition conditions.

DEFENCE

DEFENCE

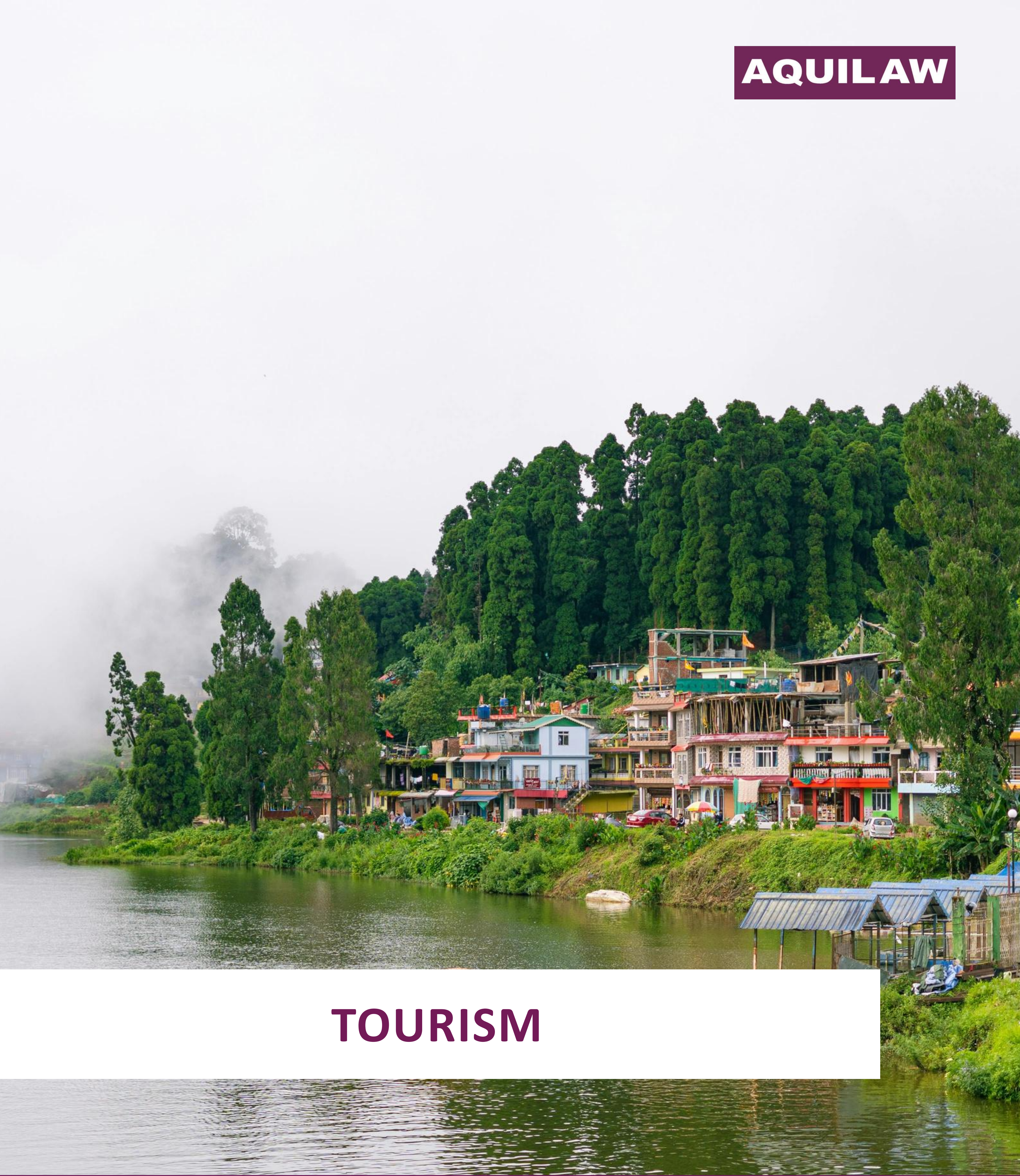
Key Updates

The budget outlines key defence sector proposals, focusing on domestic manufacturing, maintenance, and tax relief for defence personnel. Broader than just defence, the budget emphasizes building capacity in strategic sectors that often overlap with national security, The total budget allocation of INR 7.85 Lakh Crores marks a 15% rise from previous year with a higher outlay for weapons and platforms for improved air, sea and land combat capabilities. :

- **Support for aviation manufacturing and MRO activities** - To support both the civil and defence aviation sectors, the budget proposes significant changes to Basic Customs Duty (BCD):
  - **Manufacturing Support**: A total exemption of BCD is proposed for components and parts required to manufacture civilian, training, and other aircraft.
  - **Maintenance and Overhaul**: The budget proposes to exempt BCD on raw materials imported for manufacturing aircraft parts specifically used for maintenance, repair, or overhaul (MRO) requirements by Units in the Defence sector.
- **Strategic sectors like hi-tech tool rooms and construction equipment manufacturing promoted**
  - **Hi-Tech Tool Rooms**: The government proposes establishing digitally enabled automated tool rooms to locally design, test, and manufacture high-precision components at a lower cost.
  - **Construction and Infrastructure Equipment (CIE)**: A scheme will be introduced to strengthen the domestic manufacturing of technologically advanced CIE, which includes large-scale fire-fighting equipment.
- **Tax exemptions introduced for Armed Forces Personnel's disability pensions** - The budget introduces specific tax exemptions for members of the Armed Forces (including paramilitary forces) of the Union:
  - Disability Pension Exemption: There is a proposal for an express statutory exemption for Disability Pension.
  - Coverage: This includes both the "service element" and the "disability element" of the pension.
  - Conditions: To qualify, the individual must have been invalided out of service due to a bodily disability attributable to or aggravated by such service. This exemption is not available to individuals who retire on superannuation or otherwise.

AQUILAW Comments:

Government policies and procurement priorities increasingly favour **private defence industries and MSMEs**, supported by initiatives like **iDEX (Innovations for Defence Excellence)** and reformed procurement manuals. Allocations to Defence R&D (e.g., DRDO and allied initiatives) have been enhanced, supporting development of indigenous systems and cutting-edge defence technologies. These initiatives shall result in achieving the goal of 'Atmanirbhar Bharat' in defence manufacturing expanding opportunities for Indian DPSUs. The proposals also aim at increasing participation of private firms in development and supply chains.



TOURISM

TOURISM

Key Updates

The budget identifies the Tourism sector as a significant driver for economic growth and employment generation, proposing several initiatives to enhance infrastructure, skills, and the ease of travel. Key financial and strategic highlights include:

- **Infrastructure for Tourism**: The government is shifting its focus towards Tier II and Tier III cities and "temple-towns," allocating INR 5,000 Crores per region (over 5 years) for modern infrastructure in cities and temple towns. Target to upskill 10,000 guides at 20 iconic tourist sites. Establishment of National Institute of Hospitality and National Destination Digital Knowledge Grid to create digital jobs.
- **Support for Regional Circuits**: The budget introduces a specific scheme for the development of Buddhist Circuits in the North-Eastern states, focusing on connectivity, pilgrimage amenities, and the preservation of monasteries. Additionally, the budget aims at creation of 5 tourism destinations across the Purvodaya States.
- **Eco-Tourism and Connectivity**: To enhance last-mile connectivity, the budget proposes incentives for domestic seaplane manufacturing and introduces a Seaplane Viability Gap Funding (VGF) Scheme for operations.
- **Medical and value-added tourism**: Funding support for 5 regional medical tourism hubs in partnership with the private sector has been proposed integrating healthcare and hospitality services
- **Ecologically Sustainable Nature Trails:** The government aims to provide world-class trekking and hiking experiences while preserving local ecosystems through several types of dedicated trails:
    - Mountain Trails: These will be developed in Himachal Pradesh, Uttarakhand, and Jammu and Kashmir; Araku Valley in the Eastern Ghats and Podhigai Malai in the Western Ghats.
    - Turtle Trails: Focused on key nesting sites along the coastal areas of Odisha, Karnataka, and Kerala.
    - Bird-Watching Trails: Established along Pulikat Lake in Andhra Pradesh and Tamil Nadu.
- **Additional Heritage and Cultural Initiatives**: Beyond infrastructure and nature, the budget also focuses on immersive cultural experiences:
    - Archaeological Site Development: 15 sites, including Lothal, Sarnath, and Leh Palace, will feature curated walkways and use immersive storytelling technologies to become vibrant cultural destinations.
    - Buddhist Circuits: A specialized scheme for the North-Eastern Region (covering Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram, and Tripura) will focus on temple preservation and pilgrim amenities.
    - Big Cat Conservation: India will host the first Global Big Cat Summit this year to deliberate on conservation strategies with 95 range countries.

TOURISM

AQUILAW Comments:

Planned development of transport links (including high-speed rail corridors and seaplane manufacturing) will enhance access to key destinations and remote locations. Better infrastructure can reduce travel time and costs, attract more domestic and international tourists, and spread economic benefits to smaller towns and rural areas. The Budget elevates tourism beyond seasonal activity to a **core economic driver**, noting its potential for **local economic development, employment generation and foreign exchange earnings**.

AQUILAW

MANUFACTURE

MANUFACTURING SECTOR

Key Updates

The Union Budget 2026–27 outlines a calibrated manufacturing strategy aimed at strengthening domestic production capabilities, improving global competitiveness, and deepening industrial ecosystems. The proposals span strategic and frontier sectors, capital goods and equipment manufacturing, labour-intensive industries such as textiles, and select niche segments, alongside measures to revive legacy industrial clusters. A strong emphasis is placed on MSMEs and industrial clusters as engines of scalable growth, supported by improved access to capital and professional support. These sectoral interventions are complemented by broader measures designed to align import policy with domestic manufacturing objectives and reinforce value addition within India.

- **Strategic and Frontier Manufacturing Sectors: The Budget identifies seven strategic and frontier sectors for scaling up manufacturing, signaling a targeted industrial policy approach.**
  - Biopharma Manufacturing: Launch of Biopharma SHAKTI with an outlay of INR 10,000 crores over 5 years to develop India as a global hub for biologics and biosimilars, supported by new and upgraded National Institutes of Pharmaceutical Education and Research (NIPERs) and expanded clinical trial infrastructure.
  - Semiconductors: Launch of India Semiconductor Mission (ISM) 2.0 to move beyond fabrication towards equipment, materials, full-stack Indian IP, and resilient supply chains, along with industry-led R&D and skilling.
  - Electronics Components: Enhancement of the Electronics Components Manufacturing Scheme outlay from INR 22,919 crores to INR 40,000 crores, reflecting strong investment traction.
  - Rare Earth Manufacturing: Establishment of Rare Earth Corridors in certain mineral-rich states to promote mining, processing, research, and manufacturing of rare earth permanent magnets.
  - Chemicals: Proposal to establish three dedicated Chemical Parks through a cluster-based, plug-and-play model to reduce import dependence.
- **Capital Goods and Industrial Equipment Manufacturing: Recognizing capital goods as foundational to productivity and quality across sectors:**
  - Establishment of Hi-Tech Tool Rooms by CPSEs to locally design and manufacture high-precision components.
  - Introduction of a Construction and Infrastructure Equipment (CIE) Scheme to strengthen domestic manufacturing of technologically advanced equipment.
  - Launch of a Container Manufacturing Scheme with INR 10,000 crore allocation over 5 years to create a globally competitive ecosystem.

- **Labour-Intensive Manufacturing: Textiles and Allied Sectors: The textile sector receives a comprehensive intervention combining self-reliance, sustainability, and employment generation.**
    - An Integrated Textile Programme covering fibre self-reliance, cluster modernization, handloom and handicrafts, sustainable textiles, and skilling through Samarth 2.0.
    - Establishment of Mega Textile Parks with potential focus on technical textiles and value addition.
    - Launch of Mahatma Gandhi Gram Swaraj Initiative to strengthen khadi, handloom, and handicrafts with branding and global market linkage.
- **Niche Manufacturing Segments**
    - Sports Goods Manufacturing: Dedicated initiative to promote manufacturing, R&D, and innovation in sports equipment and materials science, positioning India as a global hub for sports goods.
    - The Budget proposes support for scaling up domestic manufacturing of assistive devices under the Divyang Sahara Yojana, including enhanced production capacity at ALIMCO, investment in R&D and AI-enabled assistive technologies.
    - To support electronics manufacturing and just-in-time supply chains, the Budget proposes a safe harbour for non-resident component warehousing in bonded warehouses at a profit margin of 2% of invoice value.
- **Rejuvenation of Legacy Industrial Cluster**
    - Introduction of a scheme to revive 200 legacy industrial clusters through infrastructure and technology upgradation to improve cost competitiveness and efficiency.
- **MSMEs and Industrial Clusters**: The budget emphasizes the creation of “Champion MSMEs” for propelling growth.
    - A INR 10,000 crore SME Growth Fund is proposed to support scalable and growth-oriented manufacturing MSMEs.
    - A INR 2,000 crore top-up to the Self-Reliant India Fund is proposed to continue equity support for micro enterprises.
    - Liquidity support for MSMEs is proposed to be strengthened through expanded and mandatory use of TReDS (Trade Receivables Discounting System), credit guarantees, securitization of receivables, and integration with the GeM portal.
    - Corporate Mitras are proposed to provide professional support for compliance, governance, and management to MSMEs, aiding formalisation and sustainable growth.
- **Special Economic Zone**
    - To address capacity utilization challenges faced by manufacturing units in Special Economic Zones (SEZs) due to global trade disruptions, the Budget proposes a one-time measure to permit eligible SEZ manufacturing units to sell into the Domestic Tariff Area (DTA) at concessional rates of duty, subject to a prescribed proportion of their exports, along with necessary regulatory changes to operationalize the measure.

- **Tax Reforms**
  - To encourage toll manufacturing in India, the Budget proposes a 5 year income tax exemption for non-residents supplying capital goods, equipment, or tooling to toll manufacturers operating in bonded zones.
  - The limit for duty-free imports of specified inputs used for processing seafood products for export is proposed to be increased from 1% to 3% of the FOB value of the previous year's export turnover.
  - Duty-free import of specified inputs is proposed to be extended to the export of shoe uppers, in addition to leather and synthetic footwear.
  - The time limit for export of final products is proposed to be extended from 6 months to 1 year for exporters of leather and textile garments, and leather and synthetic footwear.
  - An exemption from basic customs duty is proposed on specified parts used in the manufacture of microwave ovens, supporting domestic manufacturing.

AQUILAW Comments:

The manufacturing measures in Budget 2026–27 signal a shift toward ecosystem-led industrial growth, combining targeted support for strategic sectors with supply-chain, cluster, and MSME-focused interventions.

SERVICES

SERVICE SECTOR GAINS RENEWED FOCUS

Key Updates

The Government has announced a comprehensive push to strengthen the services sector as a central pillar of India's Viksit Bharat vision. The initiatives span health, education, tourism, design, sports, AYUSH, and the emerging orange economy, alongside targeted tax and policy reforms. Together, these measures aim to build skilled human capital, modernize institutional infrastructure, promote innovation, and enhance India's global competitiveness in high-value services.

- **High-Powered Standing Committee on Education to Employment and Enterprise:** Committee to recommend measures focusing on the services sector, analyze the impact of emerging technologies (including AI) on jobs, and propose corresponding upskilling measures.
- **Health and Medical Tourism**
  - Establishment and upgradation of institutions for Allied Health Professionals (AHPs) across ten identified disciplines.
  - Introduction of diverse NSQF-aligned programmes to train 1.5 lakh multi-skilled caregivers.
  - Support to States for setting up 5 Medical Value Tourism hubs in partnership with the private sector.
- **AYUSH**
  - Setting up three new All India Institutes of Ayurveda.
  - Upgradation of AYUSH pharmacies and Drug Testing Laboratories to strengthen certification standards.
  - Enhancement of the WHO Global Traditional Medicine Centre.
- **Education**
  - Development of 5 University Townships near major industrial and logistics corridors.
  - Establishment of girls' hostels in STEM higher education institutions in every district.
  - Setting up or upgrading four telescope infrastructure facilities.
  - Establishment of AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.
  - Setting up a new National Institute of Design in Eastern India through the challenge route.
- **Sports**
  - Strengthening the Khelo India Mission through an integrated talent development pathway, systematic coaching, technology integration, and improved sports infrastructure.

- **Tourism**
  - Establishment of a National Institute of Hospitality to bridge academia, industry, and government.
  - Pilot project to upskill 10,000 tourist guides across 20 iconic destinations.
  - Creation of a National Destination Digital Knowledge Grid for digital documentation of key sites.
  - Development of eco-sustainable mountain, turtle, and bird-watching trails in select states.
  - Hosting of the first Global Big Cat Summit in India.
  - Transformation of 15 archaeological sites into experiential cultural destinations.
  - Development of Buddhist circuits in the North-East region.


if (gidsetsize <= NGROUPS_SMALL)
group_info->blocks[0] = group_info->small_block;
else {
for (i = 0; i < nblocks; i++) {
gid_t *b;
b = (void *)__get_free_page(GFP_USER);
if (!b)
goto out_undo_partial_alloc;
group_info->blocks[i] = b;
}
}
return group_info;
out_undo_partial_alloc:
while (--i >= 0) {
free_page((unsigned long)group_

IT/ITES

IT/ITES

Key Updates

The Union Budget 2026–27 sets out a focused set of measures for the IT and IT-enabled services sector, addressing regulatory frameworks and digital infrastructure that underpin technology-led service delivery. The Budget's approach emphasizes operational clarity and ecosystem support with particular attention to global service delivery models and digital infrastructure development. By expanding certainty-based regulatory regimes through a manifold increase in eligibility thresholds, thereby expanding coverage to a larger number of IT service providers, streamlining approval mechanisms, and reducing prolonged interface with authorities, the measures lower compliance friction for scale-driven technology enterprises. In parallel, the provision of a long-term fiscal holiday extending till 2047 for cloud and data centre-linked global services signals policy stability and reinforces India's positioning as a dependable base for global digital infrastructure and cross-border technology operations.

- **Cloud and Data Centre Services**
  - A tax holiday up to 2047 is proposed on and from 1 April 2026 for foreign companies providing cloud services globally, where such services are rendered using data centre services located in India.
  - A safe harbour of 15% on cost is proposed for cases where data centre services are provided from India by a related entity.
- **Key Measures for the IT and IT-Enabled Services Sector**
  - Unilateral Advance Pricing Agreements (APAs) for IT services are proposed to be fast-tracked, with an endeavour to conclude them within 2 years, extendable by 6 months at the taxpayer's request.
  - The facility to file modified returns pursuant to APAs is proposed to be extended to associated enterprises.
- **Tax Reforms**
  - IT-enabled services, knowledge process outsourcing services, and contract R&D services relating to software development are consolidated under a single category of "Information Technology Services" with a uniform safe harbour margin of 15.5%.
  - The turnover threshold for safe harbour eligibility is proposed to be increased from INR 300 crores to INR 2,000 crores.
  - Safe harbour approvals are proposed to be automated and rule-based, without detailed examination by tax officers, and valid for 5 years at the taxpayer's option.

AQUILAW Comments:

Budget 2026-27 strengthens the IT and ITES sector primarily through certainty, dispute reduction and cloud infrastructure support. The extension of the tax holiday to 2046-47 marks a major step towards India's positioning as a global digital services base in data centre and cloud computing/ consulting. The expansion and automation of safe harbour and APA mechanisms represent a significant step toward improving regulatory predictability for IT service providers. The overall approach reflects a stability and certainty-driven policy stance for the IT sector.

MSME

MICRO SMALL & MEDIUM ENTERPRISES

Key Updates

The Budget recognizes MSMEs as a vital engine of growth and adopts a three-pronged strategy focusing on equity support, liquidity facilitation and professional assistance to enable MSMEs to scale up into globally competitive enterprises and to strengthen 200 legacy industrial clusters including MSME's. The said task has been undertaken by creating Champion SME's by undertaking the following steps:

- **INR 10,000 Crores SME Growth Fund**: A dedicated SME Growth Fund has been proposed to provide equity financing to high-potential MSMEs based on select criteria, addressing the long-standing constraint of limited access to risk capital.
- **Top-up to the Self-Reliant India Fund**: An additional INR 2,000 Crores has been allocated to the Self-Reliant India Fund to continue equity and quasi-equity support to micro enterprises and ensure sustained access to capital at the grassroots level.
- **Strengthening the TReDS Platform**: TReDS is proposed to be mandated as the transaction settlement platform for CPSE purchases from MSMEs, supported by credit guarantees, GeM and TReDS integration, and securitization of MSME receivables to enhance liquidity.
- **Professional Support through 'Corporate Mitras'**: Professional institutions such as ICAI, ICSI and ICMAI will develop a cadre of accredited 'Corporate Mitras' to assist MSMEs with compliance, governance and regulatory requirements at affordable costs, particularly in Tier-II and Tier-III cities.
- **Tax Reforms**: In order to provide MSMEs with free access to global markets for high value low volume products, the current value cap of ₹10 lakh per consignment on courier exports has been removed.

AQUILAW Comments:

Taken together, these measures reflect a structural shift in MSME policy from short term relief to long term capacity building. By simultaneously addressing equity constraints, working capital challenges, compliance burdens and infrastructure deficiencies, the Budget creates a comprehensive ecosystem for MSME growth. The integration of MSMEs with public procurement, manufacturing expansion and infrastructure development enhances their market access and stability, while professional hand holding promotes formalization and improved governance. Collectively, these steps strengthen MSMEs as resilient, scalable and competitive enterprises, positioning them as central contributors to employment generation, export growth and sustained economic development under the vision of Viksit Bharat.

EASE OF DOING BUSINESS

EASE OF DOING BUSINESS (EoDB)

Key Updates

The Ease of Doing Business measures in the Union Budget 2026 reflect a continued shift toward reducing compliance burden rather than introducing new regulatory frameworks. The Budget focuses on lowering litigation, simplifying tax administration, and minimizing human interface through greater reliance on automation and rule-based processes.

- **Overall reform direction**
  - The Budget reiterates the government's commitment to regulatory simplification under the "Reform Express", citing more than 350 reforms undertaken since August 2025.
  - These reforms include GST simplification, notification of Labour Codes, rationalization of mandatory Quality Control Orders, and coordinated Centre-State efforts.
  - the government will also enable professional institutes like ICAI, ICSI, and ICMAI to develop compact, practical training programs. these courses will create a network of certified 'Corporate Mitras' in Tier-II and Tier-III towns, providing local MSMEs with cost-effective compliance assistance.
- **Investment facilitation**
  - Individual Persons Resident Outside India (PROIs) are permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme.
  - The per-person investment limit for individual PROIs is proposed to be increased from 5% to 10%. The aggregate investment limit for all individual PROIs is also proposed to be increased from 10% to 24%.
  - These measures aim to broaden overseas retail participation and ease portfolio investment.
  - There is a proposed comprehensive review of Foreign Exchange Management (Non-Debt Instruments) Rules, to create a more contemporary and user-friendly framework for foreign investments, directly aligning them with the country's current economic priorities and growth targets.
- **Tax administration and litigation reduction**
  - Assessment and penalty proceedings are proposed to be integrated into a single common order to avoid duplication of processes.
  - No interest will be charged on penalty amounts during the first level of appeal (irrespective of outcome). The mandatory pre-deposit for filing tax appeals is proposed to be reduced from 20% to 10% of the core tax demand.
  - Taxpayers will be allowed to update returns even after reassessment proceedings have commenced, subject to payment of an additional 10% tax. Assessing officers will be required to take such updated returns into account during reassessment proceedings.

- **Decriminalization and proportionate enforcement**
  - Penalties for certain technical defaults, such as audit-related non-compliance and non- furnishing of specified reports, are proposed to be converted into fees.
  - Prosecution is proposed to be removed for specified offences such as non-production of books of account or documents and cases involving TDS where payment is made in kind.
  - Minor offences are proposed to attract only fines. Other offences are proposed to be graded, with the maximum term of imprisonment reduced to 2 years.
- **Border and trade facilitation**
  - A significant component of the EODB agenda is focused on improving customs and cargo clearance processes through digital integration and system-driven approvals by March 2026.
  - Immediate customs clearance is proposed for goods with no compliance requirements upon completion of online registration and payment of duty.
  - The rollout of a Customs Integrated System (in 2 years) and expansion of non-intrusive, AI- enabled risk assessment aim to reduce dwell time and improve predictability.
- **Customs and processes**
  - Validity of Advance Rulings under Customs is proposed to be extended from 3 years to 5 years, enabling greater certainty in long-term business planning.
  - Export cargo using electronic sealing is proposed to be cleared directly from factory premises to the port, reducing port-side intervention.
  - The Customs warehousing framework is proposed to transition to a warehouse operator- centric model based on self-declarations, electronic tracking, and risk-based audits, reducing officer-dependent approvals.
  - The eligibility for deferred payment is being expanded, and the payment cycle is being changed from 15 days to a monthly basis for eligible importers.
  - These measures are part of a wider set of process and procedural reforms contained in the Budget aimed at improving the functioning of the customs system.

AQUILAW

REAL ESTATE & INFRASTRUCTURE

REAL ESTATE AND INFRASTRUCTURE

Key Updates

India's Union Budget 2026–27, presented by Finance Minister Nirmala Sitharaman, outlined an ambitious framework to strengthen infrastructure development and drive urban growth, carrying significant implications for the real estate sector. Although the Budget does not offer direct tax reliefs or affordability incentives, experts believe its strong focus on infrastructure spending and financial reforms could support a gradual recovery in housing, commercial real estate, and logistics over the medium to long term. Some of the key highlights are as follows:

- **Public Capital Expenditure Push** - Public capital expenditure has been increased to INR 12.2 Lakh Crores for FY 2026–27, underscoring the Government's continued commitment to infrastructure-led growth, with direct implications for urban development, transport networks, construction activity and allied sectors.

- **Infrastructure Risk Guarantee Fund** - The proposed Infrastructure Risk Guarantee Fund, offering partial credit guarantees to lenders, is expected to enhance project bankability, improve access to long-term finance and encourage greater private sector participation in large infrastructure and real estate-linked projects.

- **Accelerated Asset Monetization via REITs** - The Government's proposal to monetize Central Public Sector Enterprises (CPSEs) owned real estate assets via dedicated REITs is likely to deepen India's REIT market, unlock dormant public assets and increase institutional investment in commercial real estate.

- **Dedicated Freight Corridors and Logistics Infrastructure** - The proposed Dedicated Freight Corridor from Dankuni to Surat, along with the Purvodaya initiative for an integrated East Coast Industrial Corridor with a node at Durgapur is expected to strengthen regional connectivity, drive demand for logistics parks and warehousing, and promote transit-oriented real estate development along the route.

- **Operationalization of 20 New National Waterways (NWs)** - The proposal to operationalize 20 new National Waterways over the next 5 years, commencing with NW-5 in Odisha, marks a significant push towards inland water transport, particularly benefiting mineral-rich and industrial regions.

- **Skill Development and Employment Creation** - Establishment of Regional Centers of Excellence and training institutes along inland waterways is expected to support manpower development, generate skilled employment and strengthen the operational ecosystem for waterway-based infrastructure.

- **Inland Waterways Ship Repair Ecosystem** - Setting up of a ship repair ecosystem for inland vessels at Varanasi and Patna is likely to catalyse ancillary industries, MSMEs and service infrastructure, further strengthening the inland waterways value chain.

- **Coastal Cargo Promotion Scheme** - The launch of a Coastal Cargo Promotion Scheme aims to incentivize modal shift from road and rail to coastal shipping and inland waterways, with a target to increase their share from 6% to 12% by 2047, thereby reducing logistics costs and environmental impact.

- **City Economic Regions (CERs)** - Introduction of City Economic Regions, with an allocation of INR 5,000 Crores per CER over 5 years, is expected to drive planned urban expansion, mixed-use development and infrastructure-led growth, particularly in Tier II and Tier III cities.

- **High-Speed Rail Corridors** - The announcement of seven high-speed rail corridors i.e. Mumbai - Pune, Pune - Hyderabad, Hyderabad - Bengaluru, Hyderabad - Chennai, Chennai - Bengaluru, Delhi - Varanasi and Varanasi – Siliguri, is likely to act as a catalyst for real estate development around stations, transit hubs and emerging urban clusters.

- **Urban Infrastructure and Municipal Finance Boost** - An incentive of INR 100 Crores for municipal bond issuances exceeding INR 1,000 Crores is expected to strengthen urban local body finances and facilitate increased investment in urban infrastructure, housing and civic amenities.

- **Incentives for Construction and Infrastructure Equipment Manufacturing** - Introduction of a Scheme for Construction and Infrastructure Equipment is aimed at supporting domestic manufacturing of advanced construction machinery, reducing project costs and improving execution efficiency.

- **Revival of Industrial Clusters** - The proposed scheme for revival of 200 legacy industrial clusters seeks to improve competitiveness and operational efficiency, which is expected to drive renewed demand for industrial land, logistics facilities and worker housing.

- **Tax reforms**:

  - From 1 October 2026, the requirement of obtaining a **Tax Deduction and Collection Account Number (TAN)** for TDS on property purchases from NRIs is proposed to be removed. Instead, buyers can use a **PAN-based challan system**

  - The Budget includes an **income tax exemption** on compensation received by individuals and HUFs through **compulsory land acquisition** (under the Right to Fair Compensation and Transparency in Land Acquisition Act). This aims to reduce disputes and clarity in taxation for infrastructure project land procurement

AQUILAW

DIRECT TAX PROPOSALS

DIRECT TAXES – KEY PROPOSALS

Key changes applicable from Tax Year 2026-27:

- **New Income Tax Act**: It has been stated that Income Tax Act, 2025 is to come into effect from 1 April 2026 for which simplified Income Tax Rules & redesigned Forms shall be notified shortly for easier compliance by ordinary taxpayers.
- ITR filing timelines has been Staggered for Salaried individual ITR-1 and ITR-2 by 31st July as existing and non-audit business cases/ trusts by 31st August of the Assessment year.
- Time Limit for revised return extended from existing 31st December to 31st March of the Assessment Year with a fee of INR 1,000 for the Total Income <= INR 5 Lakhs and INR 5,000 for other case.
- ICDS to be incorporated into Ind AS and ICDS based accounting to be eliminated.
- All non-residents paying tax on a presumptive basis are exempted from MAT
- MAT is proposed to be made a **final tax**, with rate reduced from **15%** to **14%.** Set-off of accumulated MAT credit is proposed to be permitted **only under the new tax regime**, limited to **25% of tax liability**. Brought forward MAT Credit remains usable till 31st March 2026 for both regimes.
- Capital gains tax exemption on redemption of Sovereign Gold Bonds has been restricted to only to the bonds which are subscribed at original issue and held until maturity by the original subscriber itself without any interim transfers.

Capital Markets

- Buyback to be taxed as **Capital Gains** for all shareholders instead of Dividends. Effective tax rate for corporate promoters has been provided as 22% and for non-corporate promoters as 30% to restrict improper use of buyback route by promoters. The same has been summarized as follows:

Particulars	Pre-Budget	Post Budget		
Treatment	Taxed as dividend	To be taxed as capital gains		
Category of taxpayer	All assesses	Promoter - Domestic Companies	Promoter - Other than Domestic Companies	Non-promoters
Buyback of listed equity shares				
Long-term capital gains	at applicable rates	22% (12.5% + 9.5%)	30% (12.5% + 17.5%)	12.50%
Short-term capital gains		22% (20% + 2%)	30% (20% + 10%)	20.00%
Buyback of other than listed equity shares				
Long-term capital gains	at applicable rates	22% (12.5% + 9.5%)	30% (12.5% + 17.5%)	12.50%
Short-term capital gains		at applicable rates		

- Increase in STT (Securities Transaction Tax) as follows:

Category of Contracts	Pre-Budget Rate	Post-Budget Proposals
Futures	0.020%	0.050%
Options Premium	0.100%	0.150%
Options Exercise	0.125%	0.150%

Foreign Asset for Small Taxpayers - Disclosure Scheme, 2026

- **Foreign Asset for Small Taxpayers -** Disclosure Scheme (FAST-DS) for difficulties faced by students, young professionals, expatriates and relocated non-residents in reporting foreign income / assets, a one-time, time-bound (within six months) scheme is proposed wherein these categories of assessees can gain immunity from prosecution in case of undisclosed foreign assets / income by paying prescribed additional tax. A summary of the same has been provided below:

<table>
<tr><th>Category</th><th>Description</th><th>Limit</th></tr>
<tr><td>A</td><td>Undisclosed overseas income/assets</td><td>For income up to INR 1 Crore, tax of 30 % plus 30% penalty to be paid. Full immunity from prosecution shall be granted</td></tr>
<tr><td>B</td><td>Disclosed overseas income, but asset not declared</td><td>For asset value up to INR 5 Crores, payment of a flat Fee of INR 1 Lakh shall be payable to gain immunity from both penalty & prosecution.</td></tr>
<tr><td colspan="3">Separately, non-disclosure of non-immovable foreign assets with an aggregate value below INR 20 Lakhs will attract immunity from prosecution with retrospective effect from 1st October 2024.</td></tr>
</table>

Rationalization of TCS:

- TCS provisions in respect of few transactions have been rationalized to reduce the impact on working capital and compliance burden. Summary of changes is as follows:

Sl.No.	Nature of receipt	Pre-Budget Rate	Post-Budget Proposals
1	Overseas tour program package	For remittances • Up to INR 10 Lakhs – 5% • Greater than INR 10 Lakhs - 20%	2% without any limit
2	Education & medical treatment expenses remittance under LRS exceeding INR 10 Lakhs	5%	2%
3	Specific goods (alcoholic liquor, scrap, minerals)	1%	2%
4	Tendu leaves	5%	2%

TDS Simplification:

Certain compliance-based simplifications in TDS provisions have been proposed to provide clarity and reduce the compliance burden on specific transactions as follows:

- Supply of manpower services has been explicitly included within the scope of “contractor payments”, clarifying that **TDS shall apply at 1% or 2%** under S 194C, thereby removing interpretational disputes.
- For purchase of immovable property from a non-resident, resident buyers shall now be permitted to **deduct and deposit TDS using a PAN-based challan**, without the requirement to obtain TAN and related compliances even for one-time transactions.
- Small Taxpayers will be able to obtain Lower/ Nil Tax deduction certificates through a rule based, automated electronic process, replacing the existing application-based approval by the AO.
- For investors with shares of multiple companies, Depositories can now accept Form 15G / 15H centrally and share with such companies instead of the same being furnished to each company separately. Such a measure shall facilitate both the investors (as they are not supposed to share such declarations separately to each company) and companies (can now rely on the depositories instead of collecting the declarations from each shareholder).

Rationalization of Penalty & Prosecution

Since the last few years, there has been a consistent effort from the Government to promote self-governance, reduce penalties and decriminalize offences. Few of the changes are as follows:

- Assessment and penalty proceedings shall be consolidated into a single order, reducing duplication.
- Pre-deposit for filing appeal before the first appellate authority reduced from 20% to 10% of core tax demand. No interest will be levied on penalty amounts for the period during which an appeal is pending.
- Updated return allowed even after reassessment initiation subject to additional tax at 10% over applicable rate. Immunity framework extended from under-reporting to **misreporting wherein an additional** 100% of tax amount shall be leviable.
- Technical penalties (such as failure to get accounts audited, non-furnishing of transfer pricing report) converted into fee. Non-production of books of account and TDS defaults where payment is made in kind are proposed to be **decriminalized**.
- Remaining offences will be graded, with **maximum imprisonment reduced to 2 years**, and courts shall be empowered to substitute imprisonment with fine in appropriate cases.

Transfer Pricing

- The government has clarified that the 60-day deadline for Transfer Pricing orders must include the assessment limitation date in its calculation to remove ambiguity and reduce litigation. This clarification applies retrospectively to the Income Tax Act, 1961 from 1st June 2007 and will be explicitly incorporated into the new Income-tax Act, 2025. These amendments aim to override conflicting court rulings like ***Pfizer Healthcare India Pvt Ltd [(2021) 433 ITR 28 (Mad.)]*** and ensure a uniform, certain interpretation across both tax regimes

Global Investment and safe harbour

- Foreign companies earning income by providing cloud services using Indian data centres have been provided Tax-Holiday until 2046-47, subject to routing Indian customers through an Indian reseller. The proposal not only permits the foreign companies to serve Indian customers in addition to foreign customers but also provides a greater tax certainty by providing a long horizon.
- A safe harbour of 15% cost-plus margin has been prescribed for related party data centre services
- Exemption from tax on non-India sourced income has been prescribed for **non-resident experts** staying in India up to 5 years under notified schemes
- All IT services, IT-enabled services, KPO and contract R&D services are proposed to be consolidated under a single category of "Information Technology Services" removing uncertainty and ambiguities with a uniform safe harbour margin of 15.5% instead of different rates for different services.
- The threshold for availing safe harbour has been enhanced from INR 300 crore to INR 2,000 crores. Further, the approvals are to be fully automated and valid for up to 5 consecutive years.
- Foreign Companies supplying capital goods or tooling for contract manufacturing in customs bonded area to be provided with tax exemption for a period of 5 years

Other Retrospective Amendments

- Retrospective amendments proposed to S 144C/ 153 / 153B of the Income Tax Act, 1961 w.e.f. 1 October 2009 and the said proposal confirms that S 153/153B timelines apply only to forwarding of the draft assessment order and once the draft is issued, the DRP timelines (i.e. nine months) and AO finalization timeline (i.e. one month) operate independently. This overturns judicial uncertainty arising from split verdict of the Hon'ble SC in case of ***Shelf Drilling Ron Tappmeyer Ltd. [(2025) 177 taxmann.com 262 (SC)]*** on the issue
- Retrospective amendments w.e.f. 1 April 2021 proposed under S 147A of the Income Tax Act, 1961 which clarifies that the Assessing Officer, for the purpose of Section 148 and 148A, shall mean an Assessing Officer other than National Faceless Assessment Centre / Faceless Assessment Units. This retrospective change overturns the Bombay HC ruling in the case of ***Hexaware Technologies Ltd. [(2024) 464 ITR 430 (Bombay)]*** issued in favour of the taxpayers. The amendment is aligned with the contrary ruling by Delhi HC in case of ***T.K.S. Builders (P.) Ltd [(2024) 469 ITR 657 (Delhi)]***.
- S 292BA of the Income Tax Act, 1961 has been retrospectively amended w.e.f. 1 April 2019 to provide that the assessments shall not be invalid due to Document Identification Number (DIN) defects, provided the order makes a reference to a DIN in any manner. This might negatively impact certain proceedings which are currently pending in different courts.

Positive Impact at a Glance:

- Non promoter buybacks taxation as capital gains restored.
- Compliance made easy and decriminalization of various offences.
- Global talent reforms – exemption to non-resident experts for 5 years on global income.
- Centralized submissions of Forms 15G/15H to Depositories (nil withholding on income).
- TCS on LRS for education/medical purposes and overseas foreign tours reduced to 2%.
- Electronic applications for lower TDS certificates.
- MAT rate reduced from 15% to 14%.
- Incentive to move to new tax regime.
- MAT relief for foreign companies in certain sectors.
- ICDS to be merged with Ind AS reporting.
- Data centre initiatives (tax holiday till 2047 to foreign companies, safe harbour for resident companies).
- Extended tenure of tax holidays for units in IFSC from 10 years to 20 years.

Expected But Not Proposed:

- No reduction of Capital Gains tax or Dividend tax. Instead, value of investment might be eroded (increase in STT rates on Futures & Options) and
- No relief to make the new personal tax regime more attractive.
- No interest expense offset against dividend/MF Income (earlier 20%).
- Secondary purchase of Sovereign Gold Bonds disincentivized.

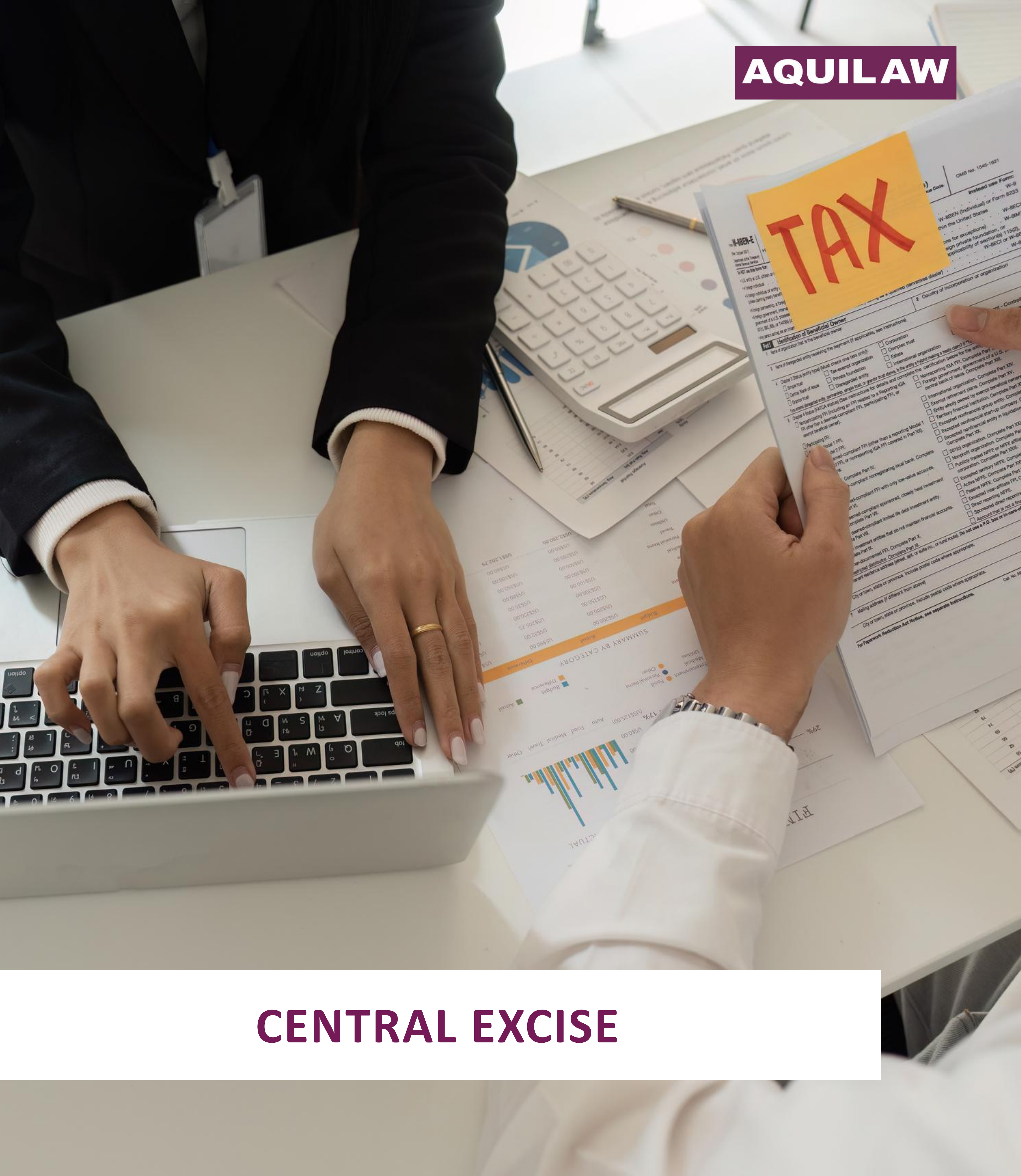
GOODS AND SERVICES TAX

GOODS AND SERVICES TAX

Section / Clause of Finance Bill	Old Provision	Amended Provision	AQUILAW Comments
1. Amendments to CGST Act, 2017- w.e.f. date to be announced after the enactment of the Finance Bill, 2026 or as specified)			
Section 15(3)(b)- Section 34(1) **Clause 137** **Clause 138**	(3) The value of the supply shall not include any discount which is given— (a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and ~~*(b) after the supply has been effected, if such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and*~~ ~~*(i) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.*~~	*"(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34.".*	*Welcome change in as much as the linkage of the post supply discount with the agreement has been done away with and accordingly, supplier will be able to issue credit notes for the post supply discounts and the recipients would be required to reverse the Input Tax Credit ("ITC")as per the credit notes issued by the supplier. Further, the proposed change in Section 34 is just to align the amendments proposed under Section 15 and brings GST valuation closure to commercial practice. The amendments relating to post sale discounts correct a long standing interpretational issue were benefits were denied purely because of absence of pre supplied agreements or invoice wise linkage (**MRF Ltd. and Vedmutha Electricals India Pvt. Ltd**. judgments).*
	34(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient 34[one or more credit notes for supplies made in a financial year] containing such particulars as may be prescribed.	34(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient or ***where a discount referred to in clause (b) of sub-section (3) of section 15 is given***, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.	

Section / Clause of Finance Bill	Old Provision	Amended Provision	AQUILAW Comments
1. **Amendments to CGST Act, 2017- w.e.f. date to be announced after the enactment of the Finance Bill, 2026 or as specified)**			
Section 54(6) **Clause 139**	(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent of the total amount so claimed, in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.	(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both ***or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)*** made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent of the total amount so claimed, in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.	Granting of provisional refund of 90% has been extended to inverted duty structure as well, which otherwise is a welcome move and would significantly ease working capital constraints.
Section 54(14) **Clause 139**	(14) Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6) shall be paid to an applicant, if the amount is less than 1,000 INR.	(14) Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6), *other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax*, shall be paid to an applicant, if the amount is less than 1,000 INR.	Refund will also be granted to the Applicant where goods are exported with payment of taxes and value of taxes is even less than 1,000 INR.

Section / Clause of Finance Bill	Old Provision	Amended Provision	AQUILAW Comments
Section 101A **Constitution of National Appellate Authority for Advance Ruling** **Clause 140** **WEF 01.04.2026**	New Subsection introduced- "(1A) Notwithstanding anything contained in sub-section (1), till the National Appellate Authority is constituted under that sub- section, the Government, may on the recommendations of the Council, by notification, empower any existing Authority constituted under any law for the time being in force to hear appeals made under section 101B and in such case,— a) the provisions of sub-sections (2) to (13) shall not apply; and b) any reference to the National Appellate Authority under this Chapter shall be construed as a reference to such Authority. Explanation — For the purposes of this sub-section, the expression "existing Authority" shall include a Tribunal.".		As per the proposed amendments, the Tribunal will be acting as the authority to hear the Appeals which was supposed to be heard by the National Appellate Authority for Advance Ruling as it has not yet been constituted. It has been made explicitly clear in the provisions that provisions relating to the constitution of National Appellate Authority for Advance Ruling and appointment of president and member thereof or their term of appointment, etc. as provided in the subsequent subclause (2) to (13) of section 101A is not applicable to the tribunal. As per the proposed amendment it seems to be stop gap arrangement till the time National Appellate Authority for Advance Ruling is constituted.
2. Amendments to IGST Act, 2017- w.e.f. date to be announced after the enactment of the Finance Bill, 2026			
Sec 13(8)(b) **Clause 141**	(8) The place of supply of the following services shall be the location of the supplier of services, namely:— a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders; ~~b) intermediary services;~~ services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.	In section 13 of the Integrated Goods and Services Tax Act, 2017, in sub-section (8), clause (b) shall be omitted	Will this provision come as an "as is where is" basis or the retrospective levy will be tinkered. Time will accordingly say. Further, this amendment would substantially reduce litigation and restore export benefits which otherwise were denied despite favorable judicial outcomes.



CENTRAL EXCISE

CENTRAL EXCISE

Key Updates

- The Seventh Schedule to the Finance Act, 2001 is being amended to revise the NCCD Schedule rates on chewing tobacco (HS 2403 99 10), jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) w.e.f 01 May 2026, as detailed below. The effective rate will remain unchanged#. [Clause 142 read with Sixth Schedule of the Finance Bill, 2026]

Tariff Item	Description	Existing NCCD Rate	Revised NCCD Rate
2403 99 10	Chewing Tobacco	25%	25%
2403 99 30	Jarda Scented Tobacco	60%	25%
2403 99 90	Other Tobacco Products (Including Ghutka)	60%	25%

*#The effective rate will be maintained at 25% vide notification.

- **Exemption from Central Excise Duty on value of Biogas/Compressed Biogas (CBG) contained in blended Compressed Natural Gas (CNG) w.e.f. 02 February 2026**

  The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, **is being excluded from the transaction value for the purpose of computation of central excise duty** on such blended CNG.

  To this effect, notification No. 11/2017-Central Excise dated 30 June 2017 is being suitably amended vide notification No. 02/2026-Central Excise dated 01 February 2026. This change will come into effect from 02 February 2026.

  Notification No. 05/2023-Central Excise, dated 01 February 2023, vide which Central Excise duty was exempted only on the GST amount paid on biogas/CBG contained in such blended CNG is being rescinded with effect from 02 February 2026.

- **Deferment of date of implementation of higher Excise Duty on sale of unblended diesel**

  The implementation of levy of additional excise duty of 2 inr/per litre on unblended diesel is being deferred till 31 March 2028, by amending notification No. 11/2017-Central Excise dated 30 June 2017 vide notification No. 02/2026-Central Excise dated 01 February 2026.

AQUILAW

CUSTOMS

CUSTOMS

1. Key Changes proposed under Customs Act, 1962 and rules [To be effective from the date of enactment of Finance Bill, 2026, unless otherwise specified]

- **Jurisdiction Extended**: The Act's jurisdiction is extended beyond India's territorial waters for fishing and fishing related activities by Indian-flagged vessels.
- **New Provisions for Fishing**: A new Section 56A is inserted to allow duty-free import of fish harvested beyond territorial waters and to treat fish landed at foreign ports as exports.
- **Advance Ruling Validity**: The validity period for an advance ruling is extended from 3 to 5 years.
- **Warehouse Operations**: Section 67 is amended to remove the requirement for prior officer permission to move goods between bonded warehouses.
- **Penalty Clarification**: Penalty paid under Section 28 is clarified to be deemed a charge for duty non-payment.
- **Extended duty deferment period**: The eligibility for deferred payment is being expanded, and the payment cycle is being changed from 15 days to a monthly basis for eligible importers. [1 March 2026]

2. Key changes in The Baggage Rules, 2026 and the Customs Baggage (Declaration and Processing) Regulations, 2026

- Changes would come into force on and from 2 February 2026.
- Duty free allowances under baggage rules are as follows:

Passenger Type	Mode of Arrival	Allowance (Other than Annexure-I items)
Indian Resident / Indian-origin Tourist / Foreigner with non-tourist visa	Air/Sea	INR 75,000
Foreign Tourist	Air/Sea	INR 25,000
All Passengers	Land	Used personal effects only
18+ Passenger (except crew)	Air/Sea	1 new laptop/notepad
Returning Indian-origin passenger (after 1+ year abroad)	Air/Sea	Jewellery: 40g (female) / 20g (other)

- Goods not allowed in baggage of passengers:
  - Fire arms.
  - Cartridges of fire arms exceeding 50.
  - Cigarettes exceeding 100 sticks or cigars exceeding 25 or tobacco exceeding 125gms.
  - Alcoholic liquor or wines in excess of two litres.
  - Gold or silver in any form other than ornaments.
  - Television.

Procedures:

- Passengers arriving in India must electronically declare dutiable or prohibited goods before entering the Green Channel using the prescribed Customs Baggage Declaration (CBD) forms via the ICEGATE portal or "Attithi" mobile app.
- This advance declaration can be submitted up to three days before arrival.
- Key items requiring declaration include goods exceeding duty-free allowances, jewellery beyond personal use, prohibited articles (e.g., firearms, excess cigarettes, gold bullion), pets (with prior No Objection Certificate), and currency above specified limits (foreign currency notes exceeding USD 5,000 or total foreign exchange exceeding USD 10,000).

Customs Tariff

Key Changes proposed in Customs Tariff Act, 1975

- W.e.f. 02 February 2026, certain redundant exemptions omitted from Notification No. 36/2024-Customs while 102 conditional exemption entries in the main customs notification are extended until 31 March 2028.
- The BCD exemption on capital goods for manufacturing Lithium-Ion Cells for Electric Vehicles is extended to cover Battery Energy Storage Systems (BESS).
- The table below only includes changes in the Customs Tariff where the payable duty rate are actually altered and excludes the large number of items where rates are merely moved to the main tariff schedule with no effective change.

Chapter/Heading	Commodity Description	Effective Date	Old BCD Rate	New BCD Rate
Chapter 1	Animals & birds imported by zoos	2 February 2026	Nil	30%
2612 20 00	Monazite (a mineral)	2 February 2026	2.5%	Nil
2815 20 00	Potassium Hydroxide	2 February 2026	Nil	7.5%
2841 90 00	Sodium Antimonate (for solar glass)	2 February 2026	7.5%	Nil
Chapter 29	Alpha Pinene	2 February 2026	5%	Applicable Tariff Rate
Chapter 30	Artificial Plasma	2 February 2026	5%	Applicable Tariff Rate
Chapter 31	Ammonium Phosphate/Nitro Phosphate (as manure)	2 February 2026	5%	Applicable Tariff Rate
7229	INVAR (metal alloy)	2 February 2026	5%	7.5%
8401 30 00	Fuel elements (cartridges), nonirradiated for nuclear power	2 February 2026	7.5%	Nil
8401 40 00	Control & Protection Absorber Rods for nuclear power	2 February 2026	7.5%	Nil
Chapter 85	Parts of Radio Trunking Terminals	2 February 2026	5%	15%
Chapter 85	CD-ROMs with educational books/journals	2 February 2026	Nil	10%
Chapter 86	Loco Simulators	2 February 2026	5%	Applicable Tariff Rate

Chapter/Heading	Commodity Description	Effective Date	Old BCD Rate	New BCD Rate
9804	All dutiable goods imported for personal use	1 April 2026	20%	10%
6601 91 00, 6601 99 00	Umbrellas (other than garden)	2 February 2026	20%	20% or INR 60/piece, whichever is higher
6603 20 00, 6603 90 10, 6603 90 90	Parts of umbrellas	2 February 2026	10%	10% or INR 25/kg, whichever is higher

Key Exemption Changes (Not an exhaustive list)

1. Exemptions Lapsing on 31 March 2026

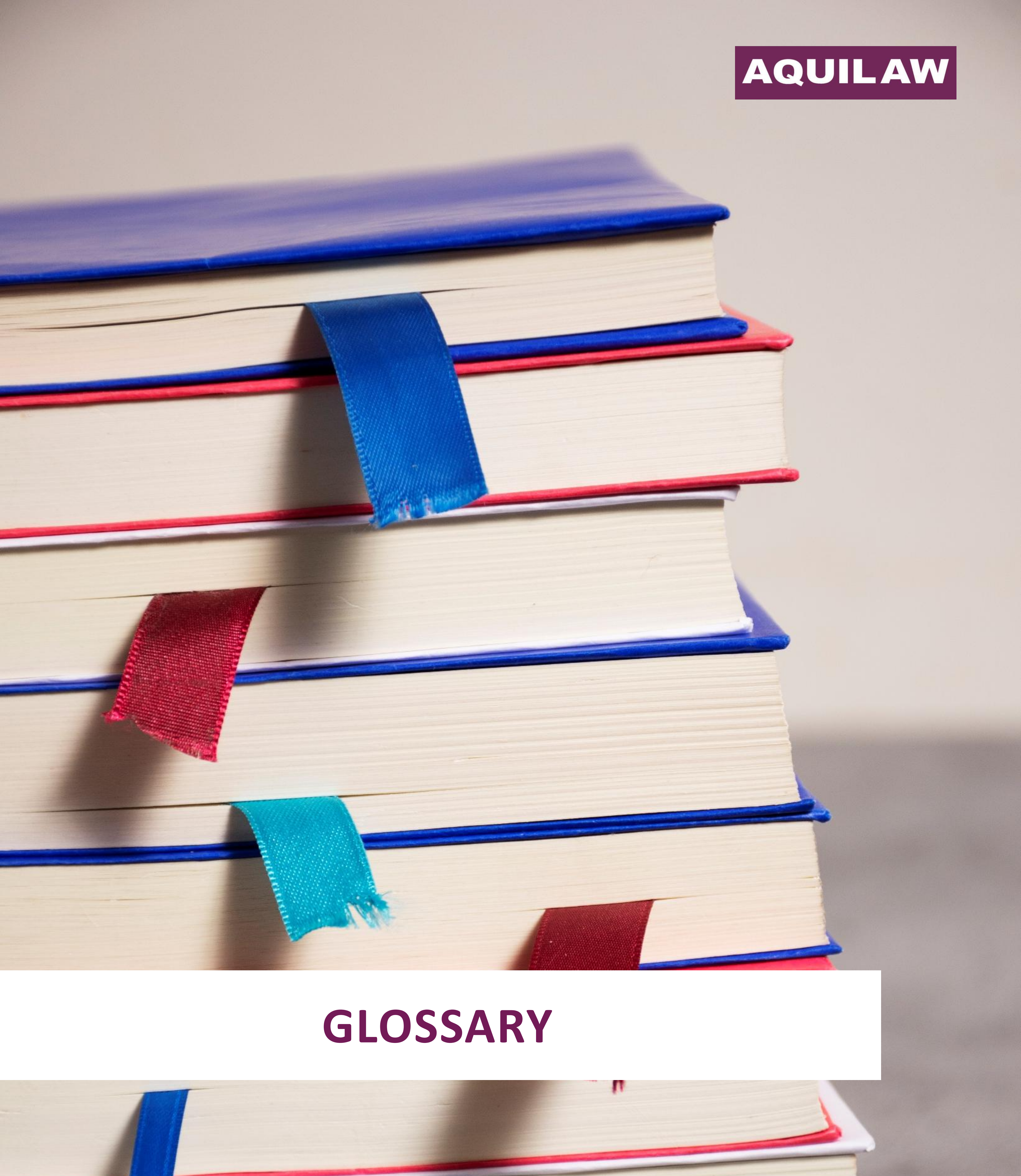
- W.e.f. 02 February 2026, certain redundant exemptions omitted from Notification No. 36/2024-Customs while 102 conditional exemption entries in the main customs notification are extended until 31 March 2028.
- The BCD exemption on capital goods for manufacturing Lithium-Ion Cells for Electric Vehicles is extended to cover Battery Energy Storage Systems (BESS).
- The table below only includes changes in the Customs Tariff where the payable duty rate are actually altered and excludes the large number of items where rates are merely moved to the main tariff schedule with no effective change.

S. No. (in Notification)	Commodity Description	Chapter/Heading
From Notification No. 45/2025-Customs (TABLE I)		
93	Naphtha, for use in the manufacture of fertilisers	2710
95	Liquefied Petroleum Gases (LPG) in specific SEZ/DTA transfer cases	2711
107	Silicon in all forms for un-diffused silicon wafers; and un-diffused wafers for solar cells/modules	28 or 38
117	Maltol, for use in the manufacture of deferiprone	29
145	Specified goods for the manufacture of Copper-T contraceptives	39 or 74
154	Ethylene-Propylene-Non-Conjugated Diene Rubber (EPDM) for insulated wires/cables	4002
172	Hydrophilic and hydrophobic non-woven, for adult diapers	5603

S. No. (in Notification)	Commodity Description	Chapter/Heading
From Notification No. 45/2025-Customs (TABLE I)		
201	Spent catalyst or ash containing precious metals	7112
218	Metal parts for use in the manufacture of electrical insulators	7325
219	Pipes and tubes for use in manufacture of boilers	73
231	Permanent magnets for PM synchronous generators (>500KW) for wind energy	84 or any
236	Zeolite for wash coat for catalytic converters	3824
243	High-speed web offset printing machines & mail room equipment	84 or any
271	Cash dispenser/automatic banknote dispenser and parts	8472, 8473
275	Television/filming equipment imported by foreign film/TV teams	85 or any
276	Photographic/filming/sound equipment re-imported after export	85 or any
291	Parts and Components of Digital Still Image Video Cameras	85 or any
309	Raw materials/parts for manufacture of e-Readers	Any
370	X-Ray tubes for manufacture of X-Ray Machines	90
372	Flat panel detector for X-Ray machines	90
397	Parts of video games for manufacture of video games	95
From Notification No. 45/2025-Customs (TABLE IV)		
1	Motion pictures, music, gaming software on media (for gaming consoles)	3706 or 8523
From Other Notifications		
N/A	Castor oil cake & de-oiled cake from indigenous seeds/plant in SEZ to DTA (Notification 113/2003-Customs)	23
From Notification No. 45/2025-Customs (TABLE I)		
93	Naphtha, for use in the manufacture of fertilisers	2710
95	Liquefied Petroleum Gases (LPG) in specific SEZ/DTA transfer cases	2711
107	Silicon in all forms for un-diffused silicon wafers; and un-diffused wafers for solar cells/modules	28 or 38
117	Maltol, for use in the manufacture of deferiprone	29
145	Specified goods for the manufacture of Copper-T contraceptives	39 or 74
154	Ethylene-Propylene-Non-Conjugated Diene Rubber (EPDM) for insulated wires/cables	4002

B. Exemptions Lapsing on 2 February 2026

S. No. (in Notification)	Commodity Description	Chapter/Heading
From Notification No. 45/2025-Customs (TABLE I)		
1	Animals and birds imported by zoo	Chapter 1
113	Alpha pinene	29
123	Artificial plasma	30
128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure/complex fertiliser	31
132	Potassium sulphate ($K_2O \leq 52\%$ by weight)	3104 30 00
137	Other diagnostic or laboratory reagents	3822 90 90
139	Ethylene Vinyl Acetate (EVA)	39
157	New pneumatic tyres of rubber for aircraft (other than S. Nos. 155 & 156)	4011 30 00
213	INVAR	7229
217	Other screws, bolts, nuts, non-threaded articles	7318 15 00, 16 00, 29 90
258	Coffee roasting, brewing or vending machines	84
285	Parts of Radio Trunking terminals	85
287	CD-ROMs containing educational books, journals, periodicals, newspapers	85



GLOSSARY

GLOSSARY

- AHP - Allied Health Professionals
- AI - Artificial Intelligence
- ALIMCO - Artificial Limbs Manufacturing Corporation of India
- AO - Assessing Officer
- APA - Advance Pricing Agreement
- AVGC - Animation, VFX, Gaming, Comics
- Ayush - Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy
- BCD - Basic Custom Duty
- BESS - Battery Energy Storage Systems
- CBD - Customs Baggage Declaration
- CBG - Compressed Biogas
- CER - City Economic Regions
- CGST - Central Goods and Services Tax
- CIE - Construction and Infrastructure Equipment
- CNG - Compressed Natural Gas
- CPSE - Central Public Sector Enterprises
- CPSE - Central Public Sector Enterprise
- DTA - Domestic Tariff Area
- DRP – Dispute Resolution Pannel
- EODB - Ease of Doing Business
- EPF - Employees Provident Fund
- FAST-DS - Foreign Assets of Small Taxpayers - Disclosure Scheme
- FOB - Free on Board
- GCC - Global Capability Centers
- GeM - Government e Marketplace
- GST - Goods and Services Tax
- ICAI - The Institute of Chartered Accountants of India
- ICAR - Indian Council of Agricultural Research
- ICDS - Integration of Income Computation and Disclosure Standards
- ICMAI - The Institute of Cost Accountants of India
- ICSI - The Institute of Company Secretaries of India
- IGST - Integrated Goods and Services Tax
- Ind AS - Indian Accounting Standards
- IP - Intellectual Property
- ISM - India Semiconductor Mission
- ITC - Input Tax Credit
- ITES - Information Technology Enabled Services
- IT - Information Technology
- ITR - Income Tax Return
- KPO - Knowledge Processing Outsourcing
- LFPO - Livestock Farmer Producer Organisation
- MAT - Minimum Alternate Tax
- MSME- Micro, Small and Medium Enterprises
- NCCD - National Calamity Contingent Duty
- NIPER - National Institutes of Pharmaceutical Education and Research
- NSQF - National Skills Qualification Framework
- NW - National Waterways
- PAN - Permanent Account Number
- R&D - Research and Development
- REIT - Real Estate Investment Trust
- SEZ - Special Economic Zone
- SME - Small and Medium Enterprises
- STEM - Science, Technology, Engineering and Mathematics
- STT - Securities Transaction Tax
- TAN – Tax Deduction and Collection Account Number
- TCS - Tax Collected at Source
- TDS - Tax Deducted at Source
- TReDS - Trade Receivables Discounting System
- WHO - World Health Organization

This Update has been prepared by Rajarshi Dasgupta, Soumya Banerjee, Parag Bhide, Tanya Sumana Das, Rakesh Goel, Dimple Jogani, Debarun Charkraborty, Himanshu Chakravarty, Simranjeet Singh Rekhi, Riddhi Jain, Bappa Halder, Shreya Tiwari, Anisha Banerjee and Pravin Kakad. This Update is only for informational purposes and is not intended for solicitation of any work. Nothing in this Update constitutes legal advice and should not be acted upon in any circumstance.

Let's get in touch

Kolkata
9, Old Post Office Street
8th Floor & 3rd Floor
Kolkata 700 001
T: +91 33 2262 8296
F: +91 33 4065 5252

Mumbai
Raheja Centre
6th Floor Office No.
602, Nariman Point
Mumbai 400 021
T: +91 22 4013 0372

Delhi
Mercantile House
15 Kasturba Gandhi Marg
401-402-410-412, 4th Floor
New Delhi 110 001
T: +91 11 2331 2657

Bhubaneswar
DCB-204
DLF Cybercity,
2nd floor Infocity Road, Patia
Bhubaneswar 751 024
T: +91 674 404 3376