

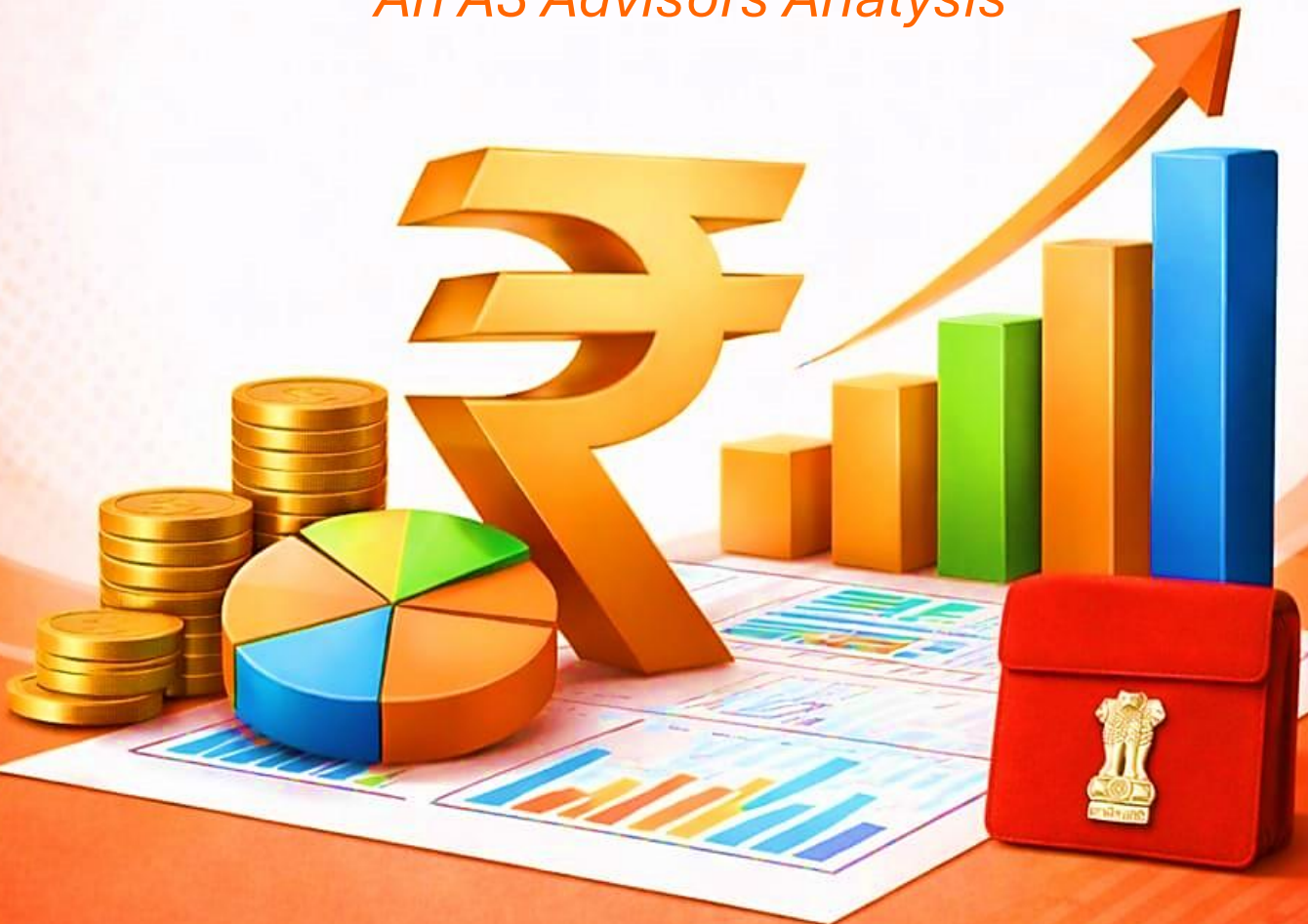
01 February 2026



**A3 ADVISORS LLP**  
ALLEGIANCE - ASTUTE - ADEPT

# Union Budget 2026: Viksit Bharat, Balancing Ambition With Inclusion

*An A3 Advisors Analysis*



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What This Budget Really Means

## Budget 2026 in Context: Global Headwinds, Domestic Stability, and a Policy Reset

Budget 2026 was presented against a complex and shifting macroeconomic canvas.

Globally, 2025-26 has been marked by slowing advanced-economy growth, persistent geopolitical tensions, supply-chain realignments, and calibrated tightening by major central banks. Capital flows have become selective. Investment is cautious. Trade is increasingly policy-driven rather than purely market-driven. Emerging economies are being evaluated not merely on growth rates, but on fiscal credibility, structural reform, and geopolitical positioning.

Domestically, India enters this Budget with:

- Stable inflation relative to peers
- Strong GST collections and improving direct tax buoyancy
- Expanding manufacturing under PLI regimes
- Growing capital market participation
- Yet visible stress pockets in MSMEs and global export-linked sectors

The Government had to balance four competing pressures:

1. Maintain fiscal consolidation credibility
2. Sustain capital expenditure momentum
3. Moderate inflation
4. Reduce litigation and ease compliance burden

Budget 2026, particularly on the direct tax front, reflects a calibrated approach. There are no headline rate shocks. Instead, the emphasis is structural, rationalization, procedural tightening, compliance facilitation, and selective relief. The new Income-tax Act, 2025 will replace the existing Income-tax Act, 1961 w.e.f. April 01, 2026. Simplified rules to be notified shortly.

It is less of a “rate-change budget” and more of a “system-design budget”.

In the ensuing slide we have provided Macro, Sectoral & Policy overview of the Budget in one consolidated view.



# Union Budget 2026 – Key Highlights

## Macro, Sectoral & Policy Overview

### Macro & Fiscal Snapshot



Total Expenditure (FY27)

₹ 36.5 lakh crore



Net Tax Receipts (FY27)

₹ 22.875 lakh crore



Fiscal Deficit

4.4% (FY26) → 4.3% (FY27 target)



Gross Borrowing (FY27)

₹ 17.2 lakh crore



Net Market Borrowing (FY27)

₹ 11.7 lakh crore



States' Share

41%



Grants to States (FY27)

₹ 1.4 lakh crore

### Infrastructure & Growth Engine



Capex Outlay: ₹ 12.2 lakh crore (+10.9%)



7 High-Speed Rail Corridors



Infrastructure Risk Guarantee Fund



City Economic Regions (₹5,000 cr)

### Industry & Manufacturing



Semiconductor Mission 2.0 ₹40,000 crore



MSME Growth Fund ₹10,000 crore



Biopharma Shakti ₹10,000 crore

Revival of 2,000 industrial clusters

### Social Sector



Education

₹1.28 lakh crore



Health ₹98,000 crore

Social Welfare



₹96,000 crore



Urban Development



### Social Sector



Education ₹1.28 lakh crore



Health ₹98,000 crore



Social Welfare

₹60,000 crore

**Direct Tax –  
Key  
Amendments to  
Income-tax Act,  
2025**

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks									
Employee PF / S.29(1)(e)(i)	<p>Deduction allowed if employee PF <b>deposited before ITR due date</b>, instead of labor law due date.</p>	<p>Currently, if employee PF is deposited beyond the statutory due date, it is a permanent disallowance. As per this new rule, employers can claim deduction if the PF is deposited on or before the due date for filing ITR. This is a big relief to employers.</p>									
Capital Gains on Buy Back by Company / S.69	<p>Buyback was presently taxed as dividend, but extinguishment of shares was treated as capital gains.</p> <p>Clause 34 substitutes sub-section (2) of Section 69 relating to capital gains arising on purchase by a company of its own shares or other specified securities.</p> <p>Where the shareholder is a <b>promoter</b>, the aggregate tax payable on such capital gains shall comprise:</p> <ul style="list-style-type: none"> <li>• Regular income-tax payable under the Act; and</li> <li>• An additional income-tax as under:</li> </ul> <table border="1" data-bbox="322 1431 861 1713"> <thead> <tr> <th>Nature of Gain</th> <th>Promoter - I Co</th> <th>Promoter - Others</th> </tr> </thead> <tbody> <tr> <td>STCG</td> <td>2%</td> <td><b>10%</b></td> </tr> <tr> <td>LTCG</td> <td>9.5%</td> <td><b>17.5%</b></td> </tr> </tbody> </table>	Nature of Gain	Promoter - I Co	Promoter - Others	STCG	2%	<b>10%</b>	LTCG	9.5%	<b>17.5%</b>	<p>This introduces an additional tax layer specifically targeting promoter exits in buy-back transactions.</p> <p>Key implications:</p> <ul style="list-style-type: none"> <li>• Promoter taxation becomes materially higher compared to non-promoter shareholders.</li> <li>• Domestic corporate promoters get relatively concessional additional rates compared to non-domestic promoters.</li> <li>• Buy-back planning structures involving promoters will need re-evaluation.</li> <li>• Potential shift towards alternative exit routes.</li> </ul>
Nature of Gain	Promoter - I Co	Promoter - Others									
STCG	2%	<b>10%</b>									
LTCG	9.5%	<b>17.5%</b>									

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Sovereign Gold Bonds / S.70	<p>It provides that <b>capital gains exemption on redemption of Sovereign Gold Bonds (SGBs)</b> shall apply only where:</p> <ul style="list-style-type: none"> <li>The SGB is issued by RBI under the Sovereign Gold Bond Scheme (2015 or subsequent schemes);</li> <li><b>It is held continuously by such individual until maturity.</b></li> </ul> <p>Effective from 1 April 2026 (applicable from Tax Year 2026–27).</p>	<p>The exemption is now restricted strictly to Original subscriber, Individual holder &amp; Continuous holding till maturity. This closes planning opportunities involving:</p> <ul style="list-style-type: none"> <li>Secondary market purchases of SGBs</li> <li>Transfers before maturity</li> <li>Corporate or non-individual holders claiming benefit</li> </ul>
Disallowance of Dividend & MF Expenses / S.93	<p>No deduction shall be allowed for any expenses incurred to earn dividend income or income from specified mutual fund units, including commission, remuneration, or any related expenditure.</p>	<p>Earlier, deduction of expenses relating to dividend and specified mutual fund income was allowed under the Income-tax Act, 2025. Now, such expenses are not allowable and deduction has been disallowed.</p>
Deduction for Offshore Banking Units (OBU) & IFSC Units / S.147	<p>Extension of Tax Holiday period pertaining to income of OBU &amp; IFSC as follows:</p> <ul style="list-style-type: none"> <li>20 years (from earlier 10 years);</li> <li>20 consecutive years out of 25 years</li> </ul>	<p>This is a major incentive strengthening measure for IFSC and Offshore Banking ecosystem.</p>
Deduction for Co-operative Societies / S.149	<p>Eligible activities expanded to (i) Cotton seeds and (ii) Cattle feed.</p> <p><b>Deduction of dividend</b> received from another co-operative society is allowed even under the <b>new tax regime</b> (Sections 203 &amp; 204), to the extent such dividend is distributed by the recipient society to its members.</p>	<p>This amendment has two clear objectives:</p> <ul style="list-style-type: none"> <li>Support agricultural and rural co-operative ecosystem by widening eligible produce.</li> <li>Prevent cascading taxation on inter-co-operative dividends under the new tax regime.</li> </ul>

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Time limit for passing TPO Order / S.166	TPO Order must now be passed <b>before one month prior to the month in which the limitation period expires.</b> (Previously it was 60 days before the limitation period)	Removes ambiguity around 60-day calculation & fixes clear calendar-based cut-off dates
Unexplained Income tax Rate / S.195	Income represented by unexplained credits, investments, assets, or expenditure shall be taxable at a rate of 30%.	The proposed amendment provides tax rate relief by reducing the tax on unexplained income from 60% to 30%
Amendments to MAT / S.206	MAT rate reduced from 15% to 14% and will now be treated as “final tax” under Old regime. It means that there will be no future MAT credit mechanism under old regime. Set-off of MAT credit is now allowed only under New regime. Further, the set-off is restricted to 25% of tax liability. For foreign companies, MAT exclusion is now expanded even to other specified business opting for presumptive income.	MAT becoming “final tax” is a major policy shift. Earlier, MAT was a timing difference tax. Now, under old regime, MAT becomes terminal and no future credit. This makes old regime less attractive for companies relying on MAT credit planning. Limiting MAT credit to 25% increases effective cash outflow, slows recovery of MAT credit and impacts companies with large MAT credit. Policy intent is clear to push for New regime.
NRI Taxation / S.217	NRI becoming resident may continue concessional tax on specified foreign investment income, subject to declaration.	Significant for returning NRIs. Preserves foreign investment tax efficiency during transition years.
Concessional Tax rate for OBU & IFSCs / S.218	Income covered under Section 147(3) to be taxed at <b>15% concessional rate.</b> Other income taxed at normal rates, with separate computation.	Ensures clear segregation between concessional and regular income. Avoids blending of tax rates in reassessment cases.
ITR Due Date Extension / S.263(1)(c)	Due date for filing of ITR - <b>Non-audit business</b> cases extended to <b>31st August</b> , ITR-1 and ITR-2 due date remains unchanged ( 31 <sup>st</sup> July)	This is a more practical timeline and provides additional compliance window for SMEs and professionals
Revised Return timeline / S.263(5)	Timeline for filing of <b>revised returns</b> to be extended to <b>31 March</b> from 31 December with a nominal fee. Nominal Fee: INR 1,000 if Total Income is below 5,00,000 and INR 5,000, in any other case.	Encourages voluntary corrections and reduces year-end compliance rush. Greater flexibility for error rectification.

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Updated Return / S.263(6)	Updated return permitted even where loss is reduced.	Closes planning gaps where taxpayers earlier avoided filing updated returns due to loss adjustments. Compliance window widened.
Block Assessment / S.296	Time limit for completion extended from <b>12 months to 18 months</b> from end of quarter of search / requisition.	Gives department additional time in search cases. Likely prolongs high-stake assessments.
Motor Claims Interest / S.393	Interest on Motor Accident compensation <b>fully exempt from income tax.</b>	This removes ambiguity and litigation risk. Individuals receiving compensation no longer need to plan for tax outflow on interest component.
TCS Rates / S.394	Certain TCS rates have been rationalized to 2%. This includes remittances under LRS towards education & medical treatment, overseas tour program.	Consistency in TCS rates
Lower & NIL TDS Certificate / S.395	Application for Lower / NIL withholding tax can now be filed <b>electronically.</b>	Reduces physical interface and speeds up processing. Beneficial for taxpayers with recurring lower TDS requirements.
TDS on Property (NR Seller) / S.397(1)(c)	Resident individual or HUF not required to obtain TAN for TDS on purchase of immovable property from a non-resident, <b>PAN to be used instead of TAN</b> (Effective from 1 October 2026).	Simplifies compliance for property buyers and reduced procedural friction in high-value NRI transactions.
Manpower as "Work" / S.402(47)	Supply of manpower treated as "work". <b>TDS applicable at 1% (individual/HUF) or 2% (others) as contractor payments.</b>	Removes ambiguity as TDS is deducted under 194J in few cases. Businesses to revisit vendor contracts for appropriate TDS.
Interest on Penalty Demand / S.411	Interest on demand arising due to penalty levied under Section 439 shall be charged only after the order is passed by CIT(A) or ITAT (DRP route)	This is a good relief measure and protects taxpayers from interest burden during pending appellate proceedings.

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Failure to Furnish SFT / TDS Returns / S.427	Late fee of <b>₹200 per day, capped at ₹1,00,000 (SFT)</b> . In case of TDS returns, capped at TDS / TCS.	Formalises penalty cap. Important for financial institutions and reporting entities.
Tax Audit & TP Report delay / S.428	<ul style="list-style-type: none"> <li>Tax Audit delay – ₹75,000 (up to 1 month), ₹1,50,000 thereafter</li> <li>TP / SDT report delay – ₹50,000 (up to 1 month), ₹1,00,000 thereafter</li> </ul>	Increases monetary exposure for reporting failures. Strengthens compliance pressure on corporates.
Waiver of Penalty & Immunity from Prosecution / S.440	Assessee may apply to AO for waiver of penalty & immunity from prosecution provided Tax & Interest has been paid within time. In lieu of penalty, additional tax ~ 100% of tax on under-reported income shall be paid (~ 120% in case of mis-reporting of income)	This is a kind of structured settlement mechanism and encourages early settlement instead of prolonged litigation.
Penalty framework change / S.446	The substituted provision now introduces penalty for failure to furnish <b>crypto-asset statement under Section 509(1)</b> : <ul style="list-style-type: none"> <li>₹200 per day of default, and</li> <li>Authority may impose additional penalty up to ₹50,000.</li> </ul>	Shifts focus from audit non-compliance to virtual digital asset reporting. Signals tighter monitoring of crypto transactions. Businesses and exchanges must ensure reporting controls are robust.
Penalty for failure to file SFT / S.454	<ul style="list-style-type: none"> <li>Penalty of ₹1,000 per day</li> <li>Maximum cap: ₹1,00,000</li> </ul>	Delays now carry structured financial exposure.
Non-compliance to Notice seeking Information / S.466	Penalty for failure to furnish information called under Section 254 increased from ₹1,000 to ₹25,000.	Significantly raises non-compliance risk. Taxpayers must ensure timely response to departmental information requests to avoid steep penalties.

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Relaxation of Punishment / S.470 to 494	Punishment for certain offences viz., willful attempt to evade tax, etc. are now relaxed from rigorous imprisonment to simple imprisonment.	Significant rationalization of criminal provisions.
Repeal & Savings / S.536	Where any sum was allowed as deduction or not included in total income for any tax year before 01-04-2026 and subsequently the conditions attached to it are violated, such amount shall be deemed to be income and taxed under the newly enacted Income Tax Act, 2025.	This prevents taxpayers from escaping tax merely due to transition from 1961 Act to 2025 Act.
Tax Exemption to F Co's for Supply of Capital Goods / Schedule IV	<p>Exemption is granted to a foreign company on <b>income arising from providing capital goods, equipment or tooling to a contract manufacturer</b> (Indian resident company) located in a custom bonded area (section 65 warehouse under Customs Act, 1962) producing electronic goods on its behalf.</p> <p>Key Features:</p> <ul style="list-style-type: none"> <li>• Applies only where Indian manufacturer produces electronics for foreign company.</li> <li>• Limited period exemption: up to tax year 2030-31.</li> </ul>	This move pushes India as backend factory for global electronics entities. Further, Permanent Establishment ambiguity in contracting manufacturing cases may be reduced.

## Amendments to Income Tax Act, 2025

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 2025	A3 Remarks
Exemption to NRIs / Schedule IV	<p>Exemption is provided to a <b>non-resident individual visiting India for the first time</b> to render services under a Central Government notified scheme, on income accruing outside India (not deemed to accrue in India), for five consecutive tax years.</p> <p><b>Conditions:</b></p> <ul style="list-style-type: none"> <li>• Must have been NR for preceding 5 consecutive tax years.</li> <li>• Exemption applies for 5 tax years from first visit.</li> <li>• Income must accrue outside India and not be deemed Indian income.</li> </ul>	This is not a blanket expat tax exemption; relevant scheme notification will drive the benefit.
Exemption for Data Centre services / Schedule IV	<p>Exemption is provided to a foreign company on <b>income accruing or arising in India from procuring data centre services</b> from a specified data centre, up to <b>tax year ending 31 March 2047</b>.</p> <p>Further, the Company shall make all sales to users located in India through an Indian reseller</p>	This is a strategic move considering the meteoric rise in Investments in the country in Data Centre space. It also signals long-term digital infrastructure positioning.
Miscellaneous	<p>Securities Transaction Tax (STT) revised as follows:</p> <ul style="list-style-type: none"> <li>• Increased from 0.10% to <b>0.15% on Sale of Option in Securities</b></li> <li>• Increased from 0.125% to <b>0.15% on Sale of Option Exercised</b></li> <li>• Increased from 0.02% to <b>0.05% on Sale of Futures in Securities</b></li> </ul>	This is expected to impact trading costs significantly to derivative traders. However, this also ensures derivatives are traded in a more measured & calculated way.

**Direct Tax –  
Key  
Amendments to  
Income-tax Act,  
1961**

## Amendments to Income Tax Act, 1961

Topic / Section	Gist of Amendment Proposed to Income Tax Act, 1961	A3 Remarks
TPO Order / S.92CA	<p>The Finance Bill, 2026 clarifies the computation of the 60-day period for passing TPO orders by prescribing specific cut-off dates—30/31 January where assessment limitation expires on 31 March (non-leap/leap year) and 1 November where it expires on 31 December. This brings certainty and reduces litigation on limitation issues.</p>	<p>This reduces litigation on limitation issues and strengthens procedural validity of TP assessments.</p>
Changed to ITR filing due dates / S.139	<p>Similar to the amendments made in Income-tax Act, 2025, the due date for Original &amp; Revised ITRs are modified as under:</p> <ul style="list-style-type: none"> <li>• Original ITR in case of non-tax audit businesses extended to 31<sup>st</sup> August (from 31<sup>st</sup> July)</li> <li>• Revised return can be filed till 31<sup>st</sup> March, subject to payment of additional fee</li> </ul>	<p>Rationalization of due dates provides structural clarity.</p>
Updated Return / S.148	<p>Where an updated return is filed pursuant to a notice under Section 148, it must be filed within the period specified in such notice, and the assessee cannot file the return in any other manner for that notice. This brings clarity and avoids parallel return filings in reassessment proceedings.</p>	<p>Tightens reassessment compliance framework.</p>
Updated Return post reassessment notice / S.263, 267 & 140B	<p>Updated return (ITR-U) can now be filed even after reassessment proceedings have been initiated under Section 148. In such cases, the additional tax payable (ranging from 25% to 70% of tax plus interest, depending on the delay) shall be further increased by 10% of the aggregate tax and interest payable.</p>	<p>This encourages early voluntary disclosure and gives opportunity to update return post reassessment proceedings are initiated, but with additional tax cost.</p>
Interest on Penalty Demand / S.220	<p>No interest under Section 220(2) shall be charged on penalty demand under Section 270A during pendency of appeal:</p> <ul style="list-style-type: none"> <li>• Up to CIT(A) order (Section 250), or</li> <li>• Up to ITAT order (Section 254) where pursuant to DRP directions.</li> </ul>	<p>This amendment reduces financial pressure during appeal proceedings. Interest burden is deferred in disputed penalty matters.</p>

# **Transfer Pricing – Key Amendments**

## Amendments to Transfer Pricing provisions

Topic / Section	Gist of Amendment Proposed to Transfer Pricing provisions	A3 Remarks
Safe Harbour S.92CB	IT services unified under a single category with <b>safe harbour margin of 15.5%. Threshold limit increased for INR 300 crores to INR 2,000 cores.</b> Approval is automated and valid for 5 years	IT, ITES, R&D and KPO now falls under IT services which reduces the ambiguity of S.92CB applicability. Also, this will reduce litigation to a larger extent and benefit the IT industry.
APA – S 92CC	Fast track of Unilateral APA with 2 years conclusion period plus 6 months extension	This will expediate the APA process and helps in early closure of TP litigations
Effect to APA / S.169	Earlier, if a tax return for a year covered by APA was already filed before entering into APA, <b>the assessee</b> was required to file modified return within three months. Now, the amendment even provides for the Associated Enterprise an option to file modified return within the same time limit.	This allows AEs also to align with APA outcomes and brings symmetry across cross border TP adjustments.
Others - Automated Process	Fully automated approval process with minimum/ nil intervention of Tax officer for Safe harbour applications	This significantly saves time and reduces administrative expenses as well.

**Key Aspects of  
Foreign Assets  
of Small  
Taxpayers  
Disclosure  
Scheme, 2026**

## **1) Why was *The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026* Introduced?**

India's Black Money Act, 2015 was brought in to deal with undisclosed foreign income/assets of residents. A one-time compliance window was earlier provided (July–Sept 2015) to voluntarily declare foreign assets (acquired up to 31.03.2015) by paying tax and penalty.

Subsequently, a meaningful set of individuals (especially those with ESOPs/RSUs, overseas retirement accounts, former students returning to India, etc.) missed disclosure requirements due to lack of awareness, and then got stuck because the Black Money Act consequences are harsh. This scheme is meant to clean up small-ticket non-compliance through a structured voluntary disclosure route, with immunity once payment is made.

***A3 Note: This is basically the Government saying: If your foreign asset non-disclosure is small and non-criminal, come clean now, pay up, and move on.***

## **2) Who is eligible?**

A person can make a declaration (after commencement and before the notified “last date”) if they have:

- Not filed a return u/s 139, or
- Filed return but did not disclose the foreign income/asset, or
- The foreign income/asset has escaped assessment u/s 147.

***A3 Note: This is broad enough to cover both (a) total non-filers and (b) filers who missed Schedule FA disclosures.***

### 3) What can be disclosed and what is to be paid?

#### Bucket A – Undisclosed foreign asset / undisclosed foreign income (small taxpayers cap)

You pay aggregate of:

- 30% tax on FMV of undisclosed foreign asset as on 31.03.2026, plus
- 30% tax on undisclosed foreign income, plus
- 100% of the tax computed above (effectively a 100% “penalty-like” amount).

This bucket is available only if aggregate value of the undisclosed asset + undisclosed foreign income does not exceed ₹1 crore.

***A3 Note: Effective outgo is heavy (tax + equal amount), but it buys immunity and closure. For many people, that trade-off is worth it versus Black Money Act exposure.***

#### Bucket B – “Disclosure miss” cases (Schedule FA miss, not necessarily black money)

Covers foreign assets that were:

- Acquired when the person was non-resident from foreign income, but not disclosed in Schedule FA on becoming resident; OR
- Acquired from income already offered to tax in India, but not disclosed in Schedule FA.

Amount payable here is a fee of ₹1,00,000, subject to asset value cap: foreign asset value ≤ ₹5 crore.

***A3 Note: This bucket is a big deal for ESOP/RSU holdings and overseas accounts where the money may be clean, but disclosure was missed. A flat fee route is far more practical than “tax + 100%”.***

## 4) Process and Timelines

- Declaration in prescribed form/manner, with verification and cases where declaration can be treated invalid (details to come via Rules).
- Prescribed authority will determine amount payable and communicate (electronically) and timelines for payment + interest for delay, and issue a certificate evidencing payment.

***A3 Note: This will be a documentation-heavy exercise (asset valuation, acquisition source, residency history, taxability history). Don't treat it as a "formality filing".***

## 5) Key Benefits and Consequences

### **(a) Non-inclusion in total income (but only if you pay on time)**

Income or investment declared under the Scheme **shall not be included** in total income under the Income-tax Act or Black Money Act, if payment is made within the permitted/extended period.

### **(b) No re-opening old assessments / no set-off claims**

Declarant cannot claim rectification/revision or any set-off/relief in appeal etc. in relation to completed assessments merely because declaration is made.

### **(c) No refund**

Any amount paid under the Scheme is non-refundable.

### **(d) Immunity**

A valid declarant who pays as per the Scheme gets **immunity from further tax/penalty and prosecution under the Black Money Act** for the declared income/asset (TY ending 31.03.2026 or earlier).

***A3 Note: Immunity is under the Black Money Act. That's the pain point this scheme is trying to solve.***

## 6) Cases where the Scheme won't apply

Scheme does not apply to:

- Income/asset representing proceeds of crime where PMLA proceedings are initiated/pending; or
- Income/asset for an assessment year where proceedings are **completed under the Black Money Act.**

**A3 Note: If there is any PMLA angle or completed BMA assessment, this scheme is not your escape hatch.**

## 7) Effect on pending proceedings

If declaration is made and assessment proceedings under the IT Act or Black Money Act are pending for that income/asset, the AO shall take the declaration into account while finalising the assessment order.

**A3 Note: If a case is already “live”, timing and sequencing matter. You want to avoid filing something that creates contradictions with positions already taken in responses/submissions.**

### A3 Takeaway on the Scheme:

FASTD Scheme 2026 is a clean-up window for small-ticket undisclosed foreign income / assets and Schedule FA misses. Two paths:

- Tax + 100% of tax route for undisclosed foreign income/assets up to ₹1 crore.
- ₹1 lakh flat fee route for certain Schedule FA non-disclosure cases with foreign asset value up to ₹5 crore.

On valid declaration + payment: no inclusion in total income (subject to timelines), no refund, and immunity from penalty/prosecution under Black Money Act. Not available for proceeds of crime/PMLA-linked matters or completed Black Money Act assessments.



# **Indirect Tax – Key Amendments**

## Amendments to Customs Act, 1962

Topic / Section	Gist of Amendment Proposed	A3 Remarks
Short title / S.1	Customs Act applicable to the whole of India and to fishing and fishing-related activities carried out by Indian-flagged fishing vessels beyond India's territorial waters.	Expressly extends the territorial applicability of the Customs Act to India's maritime and offshore zones, thereby removing interpretational ambiguity on jurisdiction.
Definitions / S.2	Indian-flagged fishing vessel defined as a vessel used or intended for fishing in the seas and entitled to fly the flag of India.	Introduces a clear statutory definition of Indian-flagged fishing vessel.
Recovery of duties / S.28(6)	Order under Section 28(6) deemed conclusive and penalty paid under Section 28(5) deemed to be a charge for non-payment of duty	<p>This amendment clarifies long-standing interpretational gaps, where it was argued that penalty is not duty-related, hence:</p> <ul style="list-style-type: none"> <li>- Not recoverable in certain enforcement scenarios</li> <li>- Penalty paid under voluntary compliance was treated as procedural, not substantive</li> </ul>
Advance Ruling / S.28J	<p>After the amendment to section 28J:</p> <ul style="list-style-type: none"> <li>- The advance ruling is valid for 5 years</li> <li>- Existing rulings may be extended to 5 years from date of ruling upon applicant's request</li> </ul>	Earlier, the validity of Advance ruling is 3 Years. This amendment aims in long-term tax predictability by extending the validity of Customs Advance Rulings from 3 years to 5 years
Classification / S.56A	<p>Fish harvested by Indian-flagged vessels beyond territorial waters:</p> <ul style="list-style-type: none"> <li>- May be brought into India free of duty</li> <li>- If landed at foreign port be treated as export of goods</li> </ul>	Insertion of this new section creates a special, duty-free and export-friendly customs regime for fish harvested by Indian-flagged vessels beyond territorial waters.

## Amendments to Customs Act, 1962

Topic / Section	Gist of Amendment Proposed	A3 Remarks
Warehouse / S.67	Warehouse-to-warehouse removal permitted without prior permission, subject to prescribed conditions	<ul style="list-style-type: none"> <li>- Earlier, removal of goods from warehouse-to-warehouse requires prior permission.</li> <li>- This amendment aims to simplify warehouse-to-warehouse movement by removing the requirement of prior customs permission.</li> </ul>
Post or courier / S.84	Custody, examination, assessment to duty, and clearance of goods imported or exported by post or courier	<ul style="list-style-type: none"> <li>- Earlier, Board power was limited to examine, assessment to duty.</li> <li>- This amendment Strengthens Customs regulatory power by expressly enabling rules on custody of goods imported or exported by post or courier.</li> </ul>
<p>Amends the First Schedule to the Customs Tariff Act, to introduce composite duties, revise tariff rates, and create new tariff entries taking effect from 1 April 2026 (Third Schedule) and 1 May 2026 (Fourth and Fifth Schedule) as covered in the subsequent slides</p>		

## Amendments to Customs Tarriff Act, 1975

Topic / Section	Gist of Amendment Proposed	A3 Remarks
BCD Rate Change s	<p style="color: #e67e22;"><b>A) Decrease in Tariff rate (effective 01.04.2026)</b></p> <p>Personal-use imports (9804 )- All dutiable goods imported for personal use are reduced from <b>20% to 10%</b></p>	<p>The BCD reduction for personal-use imports may ease cost, but the net impact should be assessed after factoring Social Welfare Surcharge levy newly introduced</p>
	<p style="color: #e67e22;"><b>B) Tariff rate changes (NO change in effective duty) - effective 01.05.2026</b></p> <p>Certain tariff rate changes were made with no effective rate change, with the objective of tariff simplification and migration of applied rates from exemption notifications into the Tariff for items in (i) food/agro &amp; aquaculture, (ii) minerals/energy/raw materials, (iii) critical minerals &amp; strategic metal compounds, (iv) industrial chemicals/intermediates, (v) metals &amp; scrap, and (vi) limited capital goods/process equipment.</p>	<p>These changes are largely a tariff rationalization and classification clean-up, moving applied rates from notifications into the Tariff and creating more granular headings to reduce ambiguity</p>
	<p style="color: #e67e22;"><b>C) Tariff structure &amp; classification changes - effective 01.05.2026</b></p> <p>Certain changes have been carried out in the Customs Tariff structure and classification with the objective of improving classification clarity by creating more specific tariff lines broadly covering the following: (i) frozen fruits (berries and related categories), (ii) non-alcoholic beverages (split into fruit-based, carbonated and other categories), (iii) nicotine products (format-wise split covering inhalation without combustion, oral and transdermal), (iv) IT/electronics/telecom equipment and recorded media (granular splits), and (v) certain other specified goods.</p>	

## Other Key Customs Amendments

Topic / Section	Gist of Amendment Proposed	A3 Remarks
Customs Rules	<p>The Government has proposed key rule-level changes under the Customs Act, 1962 to improve passenger facilitation and ease of doing business.</p> <p><b>(a) Baggage Rules:</b> The Baggage Rules, 2016 are proposed to be superseded by the Baggage Rules, 2026 to rationalize baggage provisions and address passenger-related concerns at airports, resolve interpretational issues, provide clarity for temporary carriage of goods (brought in or taken out) to avoid unnecessary detention, and restructure Transfer of Residence (ToR) benefits for Indian residents and foreign professionals based on duration of stay; these changes are proposed to be effective from midnight of 02.02.2026.</p> <p><b>(b) Deferred Duty Payment:</b> The Deferred Payment of Import Duty Rules, 2016 are proposed to be amended to allow monthly payment (instead of the existing 15-day cycle) and to introduce a new class of “eligible importers.”</p>	<p>These measures are aimed at passenger facilitation and trade ease for smoother baggage clearances (less detention/interpretational disputes) and improved cashflow/compliance efficiency for eligible importers due to monthly deferred duty payment.</p>
Other Proposals Involving Changes In Basic Customs Duty	<p>Budget also proposed targeted Customs notification-level rationalization, largely effective 02.02.2026:</p> <p><b>Li-ion manufacturing:</b> BCD exemption on capital goods extended to cover BESS (stationary energy storage batteries).</p> <p><b>Aviation/Defense:</b> New BCD exemptions for specified aircraft MRO raw materials (MoD PSUs) and aircraft/parts (incl. engines) manufacturing components, subject to IGCRS / end-use conditions.</p> <p><b>Nuclear projects:</b> Exemption widened (capacity-neutral) and validity/contract coverage extended up to 30.09.2035.</p> <p><b>Healthcare:</b> Expansion of exemption lists for specified drugs/medicines and rare-disease personal-use imports.</p> <p><b>Critical minerals:</b> Exemption framework simplified by shifting rates into Tariff, pruning/merging entries, and proposed rescission of Notif. 36/2024-Cus from 01.05.2026.</p>	<p>Largely sector-focused exemptions to support priority industries (energy storage, defense aerospace, nuclear infrastructure and healthcare) alongside simplification of the critical minerals framework by shifting rates into the Tariff.</p>

## Other Key Customs Amendments

Topic / Section	Gist of Amendment Proposed	A3 Remarks
Review of Customs duty exemptions	<p><b>1) Bulk extension of expiring conditional exemptions (continued)</b>            A comprehensive review was done for 124 conditional exemptions/concessional BCD entries in Notif. 45/2025-Cus expiring 31.03.2026 and 102 entries are being continued (with certain modifications) for 2 more years up to 31.03.2028.</p> <p><b>2) Entries allowed to lapse (i.e., ending / not extended)</b>            From the same review, 22 conditional entries of Notif. 45/2025-Cus are allowed to lapse on 31.03.2026 (i.e., benefit ends unless separately provided).</p> <p><b>3) Unconditional exemptions being withdrawn early (omitted w.e.f. 02.02.2026)</b>            Separately, some unconditional exemption / concessional duty entries in Notif. 45/2025-Cus are being lapsed by omitting the entries w.e.f. 02.02.2026.</p> <p><b>4) Sunset clause rationalisation (removed / newly prescribed)</b>  <b>Sunset clause removed</b> for select entries (w.e.f. 02.02.2026) (e.g., parts for 8525/8526/8527; certain vessels headings 8901/8906).  <b>New sunset date prescribed (31.03.2027)</b> for specified gold/silver dore bars and eligible passenger imports.  <b>Sunset date prescribed (31.03.2028)</b> for standalone Notif. 29/2025-Cus (works of art/antiques for public exhibition).</p> <p><b>Key points to watchout:</b></p> <p><b>Seafood sector boost:</b> Duty-free import cap for specified inputs used in processing sea-food increased from 1% to 3% of FOB value of seafood exports (preceding FY)  <b>Export obligation timeline relaxed:</b> For specified concessional-duty inputs, the export period extended from 6 months to 12 months  <b>Footwear exports widened:</b> Duty exemption benefit for inputs for export footwear extended to exporters of shoe-uppers also (along with the extended export timeline).</p> <p>Please refer to the Budget memo for the line-item wise breakup of exemptions</p>	<p>Most exemptions are extended up to 31.03.2028, but a small set ends on 31.03.2026 and some unconditional benefits are withdrawn from 02.02.2026, so there can be real landed-cost hits for users.</p> <p>Sunset clauses are being reset (removed for some, newly imposed for others), and several entries are shifted into the Tariff (rate neutral).</p>

## Other Key Customs Amendments

Topic / Section	Gist of Amendment Proposed	A3 Remarks
<p>Social Welfare Surcharge (SWS)</p>	<p>SWS will apply on all personal-use imports from 01.04.2026.</p> <p>As a consequential/technical rationalization, Notif. 11/2018-Cus (SWS exemption list) is being updated so that certain goods continue to remain exempt from SWS even after related exemption entries are omitted/shifting of rates to the Tariff.</p> <p>This mainly ensures no change in effective incidence (effective 01.05.2026)</p>	<p>Overall, this is a levy-alignment update, SWS is being explicitly applied on personal-use imports (Heading 9804) from 01.04.2026.</p> <p>The remaining amendments are consequential changes to keep the SWS exemption framework consistent after tariff/exemption restructuring</p>

## Amendments to Central GST Act, 2017

Topic / Section	Gist of Amendment Proposed	A3 Remarks
Post sale discount / S.15	<p>Post-supply discounts are allowed :- If credit note has been issued by the supplier and input tax credit reversed by the recipient of the supply.</p>	<p>Before amendment post sale discount was allowed only with a conditions that:</p> <ul style="list-style-type: none"> <li>- Agreements between the parties</li> <li>- Invoice linked discount and</li> <li>- Reversal of ITC</li> </ul> <p>This amendment will remove unnecessary ambiguity and litigation, by removing away the requirement of a pre-supply agreement and invoice-level linkage.</p>
Credit Note / S.34	<p>Amends Section 34(1) to explicitly allow issuance of a credit note where a post-supply discount is given in terms of Section 15(3)(b).</p>	<p>This amendment provides clear statutory linkage between valuation provisions and the credit note mechanism, eliminating ambiguity around the permissibility of credit notes.</p>
Provisional refund of IDS / S.54	<ul style="list-style-type: none"> <li>- Provisional refund (90%) was made available to zero-rated supplies and Inverted duty structure as well.</li> <li>- Amended to remove the minimum refund claim</li> </ul>	<ul style="list-style-type: none"> <li>- Earlier, provisional refunds were available only in respect of zero-rated supplies.</li> <li>- This amendment brings parity and uniformity in the refund framework by extending provisional refunds to inverted duty cases this amendment also easing cash-flow constraints and supporting working capital requirements</li> </ul>
Advance ruling appeals / S.101A	<p>Government empower any existing authority (including Tribunals) to hear appeals under Section 101B until the National Appellate Authority is formally constituted.</p>	<p>This insertion avoids delay in disposal of GST Advance Ruling appeals by enabling an interim appellate authority, including a Tribunal, until the National Appellate Authority is constituted</p>
Intermediary Services / S.13(8)	<p>Specific POS entry for Intermediary services shall be omitted making the default condition of recipient location as the POS</p>	<p>This amendment significantly reduces litigation relating to the classification of export service transactions as intermediary services</p>

**A3 Perspective:  
What this  
Budget 2026  
Means To You**

# A3 View: What Budget 2026 Means For You



Budget 2026 is not about headline rate cuts or shocks. It is about tightening the system and reducing ambiguity. There are no changes in corporate tax rates or individual slabs. That stability is intentional.



## Direct Tax – Stability with Structural Tightening

- > Rationalised penalty & prosecution framework
- > Clearer DRP & assessment timelines
- > Revised & updated return structure defined
- > Buyback aligned to capital gains
- > Foreign asset disclosure window



## Indirect Tax – Calibration, Not Disruption

- > Strategic customs adjustments
- > GST focus on analytics & enforcement
- > No major rate shocks



## Key Incentives & Strategic Push

- > ECMS 2.0 – ₹22,919 Cr | Production-linked support
- > Semiconductor & component ecosystem focus
- > **Biopharma Shakti** – support for pharma & life sciences innovation
- > Critical minerals – deferred deduction & capital goods relief
- > Data centre tax holiday till 2047
- > 15% safe harbour for data services



## Business Action Points

- > Review MAT & credit utilisation
- > Reassess updated return strategy
- > Strengthen TP documentation
- > Use disclosure window where needed
- > Re-evaluate cross-border structuring & safe harbour positions

**System Efficiency over Structural Shock**



## A3 ADVISORS LLP

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**Hyderabad | Vizag | Mumbai | Chennai | Bengaluru |  
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*Presence in UAE & Singapore through affiliate firms*

### **HYDERABAD (Corporate Office)**

Plot No 24 & 25, 2<sup>nd</sup> Floor, Road No.  
9, Kakatiya Hills, Madhapur,  
Hyderabad, Telangana - 500081

### **VISAKHAPATNAM**

Level 3 and 4, Kuppili Arcade,  
Akkayapalem, Visakhapatnam,  
Andhra Pradesh -530016



#### **OUR EMAIL**

[services@a3advisors.in](mailto:services@a3advisors.in)



#### **WEBSITE**

[a3advisors.in](http://a3advisors.in)

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