

ARS in GST
All Round Support

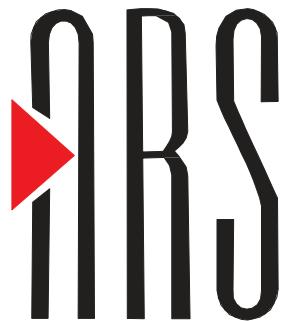
ARS in MSME
All Round Support

ARS in RERA
All Round Support

ARS in Make in India
All Round Support

ARS in LPO
All Round Support

Union Budget 2026-27



(All Round Services to India Inc.)

With Best Compliments From:

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Budget through the Founder's Lens

In the backdrop of heightened global uncertainties, tariff wars and geo-economic realignments, India's imperative to build self-reliant domestic industries has never been stronger. The Union Budget presented today appears to be aligned with this objective. The continued thrust on capital expenditure and infrastructure development, coupled with targeted measures for MSME strengthening, startup support, and empowerment of youth, women and farmers, reflects a growth-oriented and inclusive approach.

Notably, the Government has announced focused initiatives to expand the services sector. For the first time, accounting and financial advisory services have received significant policy attention, signalling a clear intent to position Indian professional firms competitively in the global marketplace.

However, the Budget remains silent on expediting the resolution of large volumes of pending legacy tax litigations under service tax and central excise. Clearing these disputes is critical, not only for taxpayer certainty but also to enable the judiciary to effectively address the mounting GST-related litigation—exacerbated by delays in operationalising the GST Tribunal.

The Finance Minister's move towards decriminalisation of minor income-tax non-compliances is a welcome and progressive step. A similar rationalisation in GST law would further enhance ease of doing business. Overall, the Budget is commendable and reflects a positive intent towards sustainable growth and structural reform.



GOVERNMENT OF INDIA

Key Features of Budget 2026-2027

February, 2026

MINISTRY OF FINANCE
BUDGET DIVISION

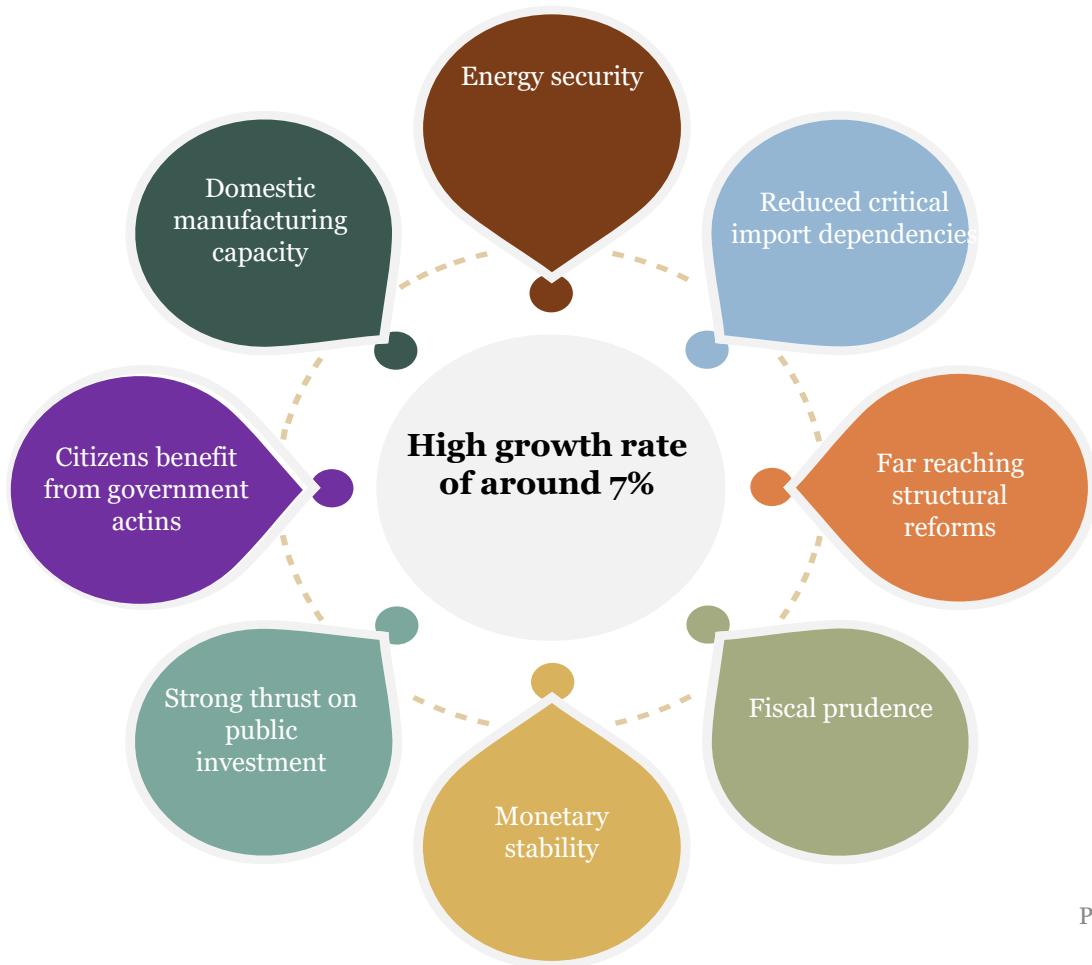
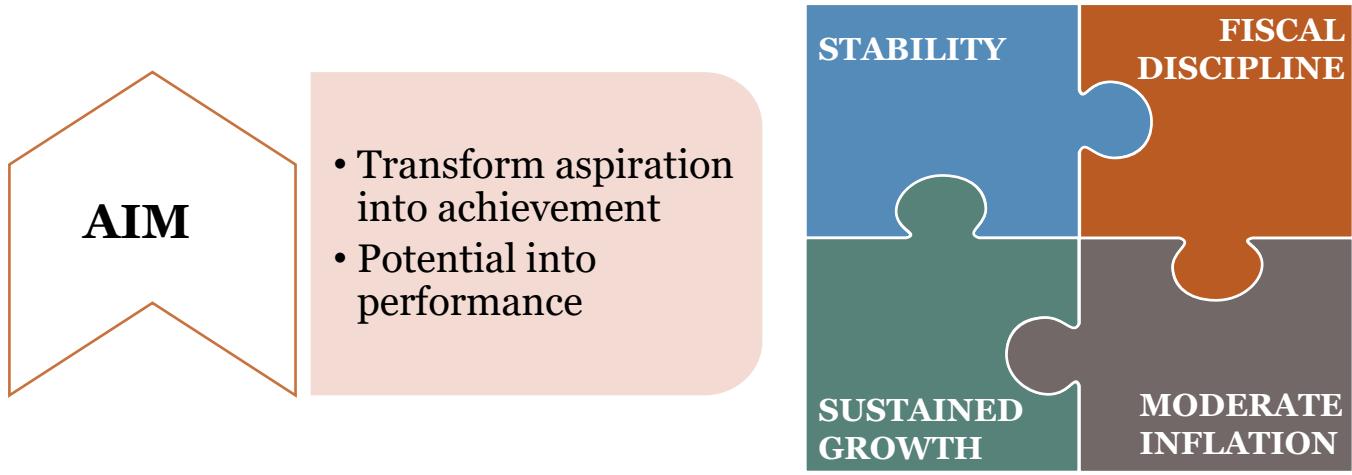
India's economic trajectory

Viksit Bharat, balancing ambition with inclusion

Action Over Ambivalence

Reform Over Rhetoric

People Over Populism



Yuva Shakti-driven Budget

Government's 'Sankalp'

To focus on poor, underprivileged and disadvantaged

First Kartavya

Second Kartavya

Third Kartavya

Accelerate and sustain economic growth

Fulfil aspirations of our people

Vision of Sabka Sath, Sabka Vikas

- Enhancing productivity and competitiveness
- Building resilience to volatile global dynamics

- Build people's capacity
- Making them strong partners in India's path to prosperity

- Ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation

continuous, adaptive, and forward-looking

ROBUST & RESILIENT FINANCIAL SECTOR

SUSTAINING THE MOMENTUM OF STRUCTURAL REFORMS

mobilising savings, allocating capital efficiently and managing risks

force multipliers for better governance

CUTTING-EDGE TECHNOLOGIES, INCLUDING AI APPLICATIONS

India's Reform Express



- Government has undertaken **comprehensive economic reforms** towards creating employment, boosting productivity and accelerating growth.
- Over **350 reforms** have been rolled out, including GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders.
- **High Level Committees** have been formed.
- Central Government is working with the State Governments on **deregulation** and reducing compliance requirements.

Pillars of Growth and Development



Sustaining Economic Growth



Strengthening the Foundations of Growth



People-Centric Development



Trust-based Governance



Ease of Doing Business and Ease of Living



Fiscal matters

1. Sustaining Economic Growth

1.1 Manufacturing - Strategic and Frontier Sectors

India Semiconductor Mission (ISM) 2.0

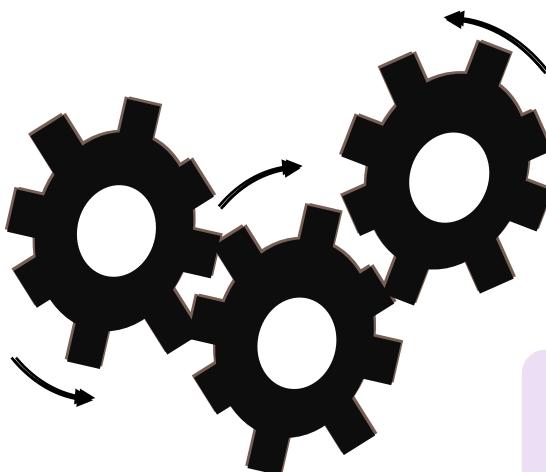
Biopharma SHAKTI

Scheme for Rare Earth Permanent Magnets, research, mining, processing and manufacturing

Hi-Tech Tool Rooms in CPSEs

3 Dedicated Chemical Parks, enhancing domestic production

Scheme for Container Manufacturing



Dedicated initiative for manufacturing of affordable Sports Goods

Integrated Programme for Textiles

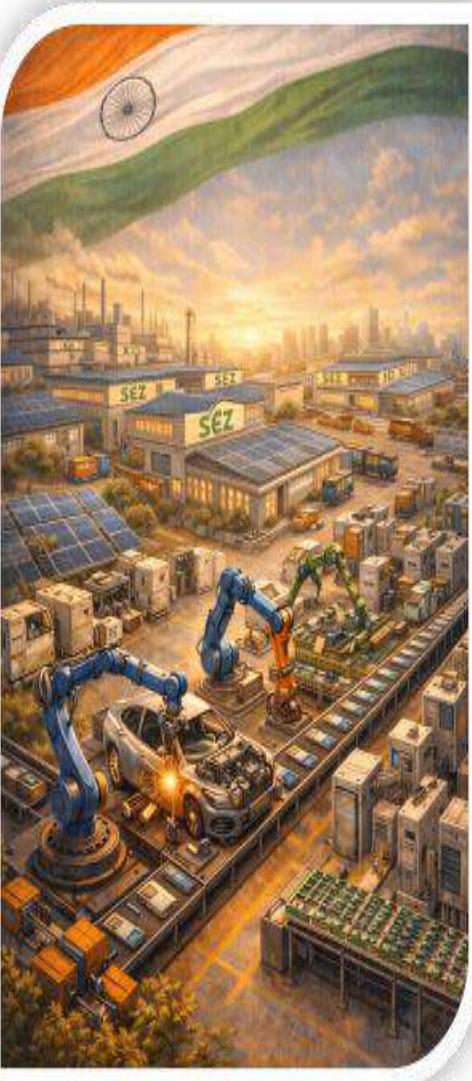
Electronics Components Manufacturing Scheme

Scheme to revive 200 legacy industrial clusters

Strengthening domestic manufacturing of high-value and technologically-advanced Construction and Infrastructure Equipment



Tax Reforms to boost Manufacturing Sector



Exemption from income tax for five years to non-residents providing capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

Provision of safe harbour to non-residents for component warehousing in a bonded warehouse.

Deferred duty payment window to trusted manufacturers.

Increase the limit for duty-free imports of specified inputs used for processing seafood products for export, from the current 1 per cent to 3 per cent of the FOB value of the previous year's export turnover.

Duty-free imports of specified inputs extended to export of shoe uppers in addition to leather or synthetic footwear.

Extension of time for the export of final product from the existing 6 months to 1 year, for exporters of leather or textile garments, leather and synthetic footwear.

Exemption from basic customs duty on specified parts used in the manufacture of microwave ovens.

Exemption from basic customs duty on components and parts used in aircraft manufacturing.

Exemption from basic customs duty on raw materials imported for manufacture of aircraft parts used in maintenance, repair, or overhaul requirements defence units.

Regular importers with trusted longstanding supply chains to be recognized in the risk system.

Export cargo using electronic sealing to be provided through clearance from the factory premises to the ship.

A special one-time measure to facilitate sale in domestic tariff area at concessional rate of duty by eligible manufacturing units of SEZs.

Three-pronged approach to help MSMEs grow as 'Champions'



Equity Support

- Dedicated ₹10,000 crore **SME Growth Fund**.
- Top up the Self-Reliant India Fund (2021) with ₹2,000 crore.



Liquidity Support through TReDS

- Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates.
- Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform.
- Linking GeM with TReDS to encourage cheaper and quicker financing.
- TReDS receivables as asset-backed securities, to develop a secondary market and enhance liquidity and settlement of transactions.



Professional Support

Government to facilitate Professional Institutions to develop 'Corporate Mitras' especially in Tier-II and Tier-III towns, to help MSMEs meet compliance requirements at affordable costs.



Tax Proposal - Removal of the current value cap of ₹10 lakh per consignment on courier exports.

1.2 Renewing the emphasis on Services Sector

Service Sector

High-Powered 'Education to Employment and Enterprise' Standing Committee to focus on the Services Sector as a core driver of Viksit Bharat.

Health

Upgrade and establishing new institutions for **Allied Health Professionals (AHPs)** in ten selected disciplines.

Care Ecosystem

Developing a variety of **NSQF-aligned programmes** to train 1.5 lakh multiskilled caregivers.

Medical Tourism

Schemes to support States in **establishing Five Hubs for Medical Value Tourism** in partnership with the private sector.

AYUSH

3 new All India Institutes of Ayurveda, upgrading AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem, & upgrading the WHO Global Traditional Medicine Centre.

Orange Economy

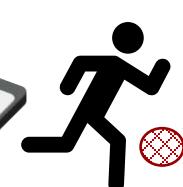
Setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.

Design

Setting up of a new National Institute of Design through the Challenge route in **eastern region of India**.

Sports

Khelo India Mission - integrated talent development pathway, systematic coaching development, integration of science & technology and development of sports infrastructure.



Education

5 University Townships in the vicinity of major industrial and logistic corridors.

A girls' hostel in Higher Education STEM institutions in **every district**.

Setting up or upgrading of four **Telescope Infrastructure facilities**.

Setting up a National Institute of Hospitality as a bridge between academia, industry and the Government.

Tourism

Pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites.

National Destination Digital Knowledge Grid to digitally document all places of significance.

To develop ecologically sustainable **Mountain trails, Turtle Trails and Bird watching trails** in select states.

India to host the first ever Global Big Cat Summit.

Develop 15 archeological sites into vibrant, experiential cultural destinations.

Development of Buddhist Circuits in North East Region.

Clubbing of services under a single category of information technology services with a common safe harbour margin of 15.5%.

Safe harbour threshold for IT services increasing from ₹ 300 crore to ₹ 2,000 crore.

Approval of safe harbour for IT services by an automated rule-driven process.

Continuation of safe harbour for a period of five years at the company's choice.

Fastracking unilateral APA process for IT services with an aim to conclude it within a period of two years. Can be extended by a further period of six months on the taxpayer's request.

Extension of facility of modified returns for APA-availing entities to its associated entities.

Provision of tax holidays until 2047 to foreign companies providing cloud services to global customers through India-based data centre services. Related Entities providing data center services from India to get a safe-harbour of 15% on cost.

Exemption to global income of non-resident expert for a stay period of 5 years under notified schemes.

Tax Reforms to boost Services Sector



Financial Sector

Setting up of **High Level Committee on Banking for Viksit Bharat** to align with India's next growth phase.

Incentive of ₹100 crore for single issuance of municipal bonds of more than ₹1000 crore.

Current Scheme under AMRUT will continue.

Restructuring Power Finance Corporation (PFC) and Rural Electrification Corporation (REC).

Comprehensive Review of the Foreign Exchange Management (FEMA) (Non-debt Instruments) Rules.

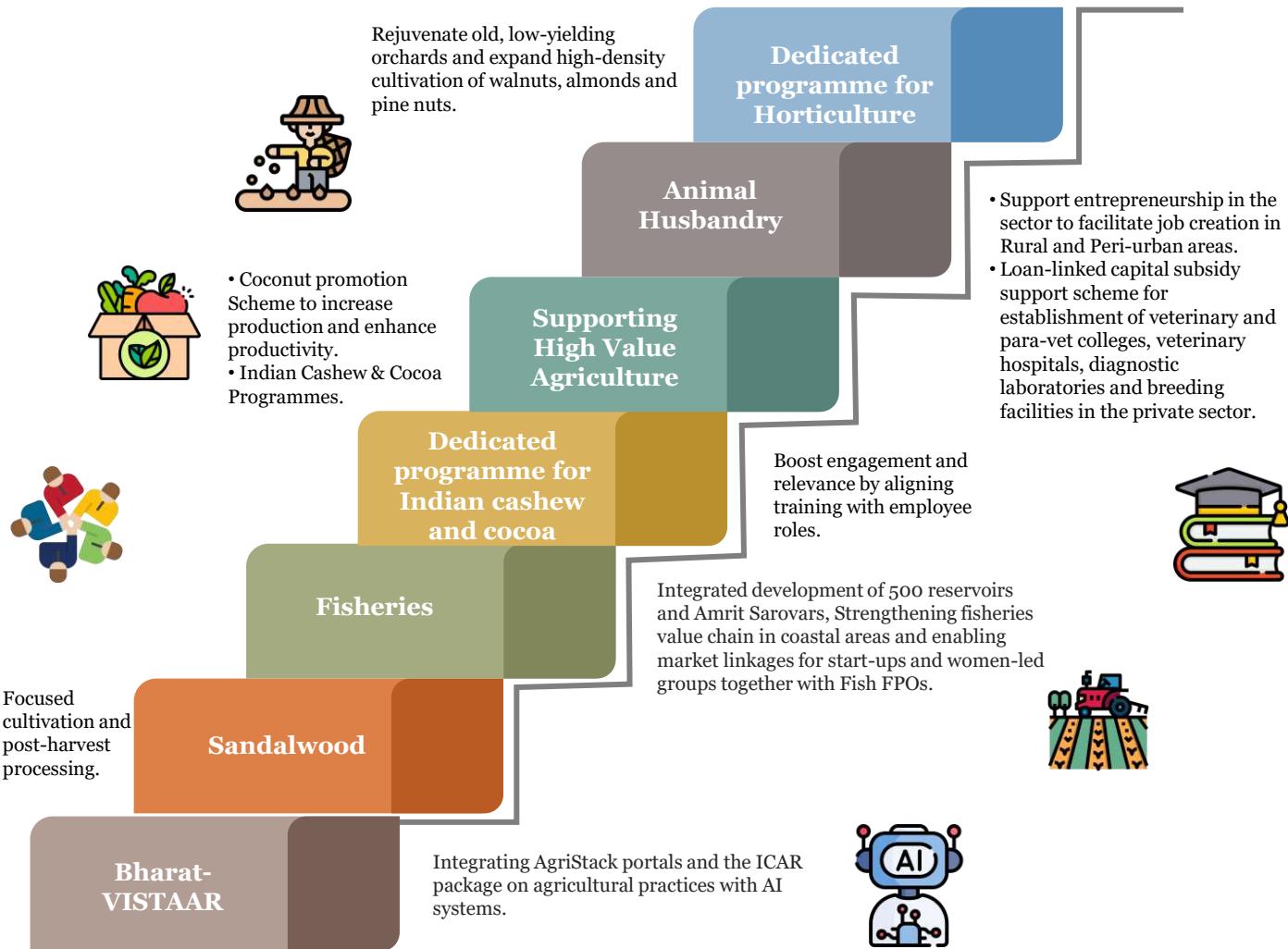
Introduction of Market making framework and total return swaps on corporate bonds.

Tax Proposals for Financial Sector

- Raising the STT on Futures from 0.02% to 0.05%.
- STT on options premium and exercise of options to be raised to 0.15% from rate of 0.1% and 0.125%, respectively.



1.3 Increasing farmer's income by enhancing productivity in agricultural and allied sectors



TAX PROPOSALS



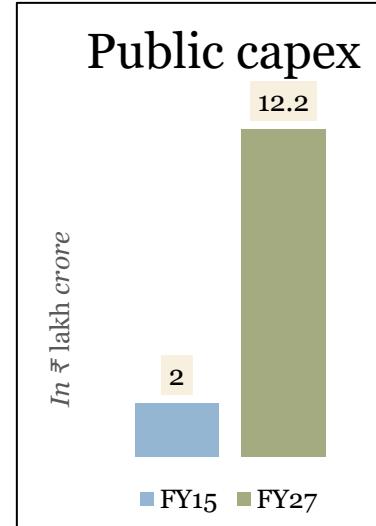
- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty. Treating the landing of such fish on foreign port as export of goods.
- Deduction allowed to primary cooperative society engaged to include supply of cattle feed and cotton seed produced by members.
- Allowing inter-cooperative society dividend income as deduction under the new tax regime to the extent distributed to members.
- Exemption from tax dividend income received by a notified national co-operative federation from investments made in companies up to 31.1.2026 from tax for a period of three years. Exemption to be allowed only for dividends distributed to its member co-operatives.

2. Strengthening the Foundations of Growth

2.1 Infrastructure

Several initiatives for large-scale enhancement of public infrastructure - InVITs, REITs, NIIF and NABFID

Continue to focus on developing infrastructure in cities with over 5 lakh population (Tier II and Tier III)



- ❖ Setting up **Infrastructure Risk Guarantee Fund** to provide prudently calibrated partial credit guarantees to lenders.
- ❖ Recycling of **real estate assets of CPSEs** through the setting up of dedicated REITs.
- ❖ Establishment of new **Dedicated Freight Corridors** connecting Dankuni in the East, to Surat in the West.
- ❖ Operationalising **20 new National Waterways** connecting mineral rich areas, industrial centres and ports.
- ❖ Setting up of ship repair ecosystem catering to inland waterways.
- ❖ Launch a **Coastal Cargo Promotion Scheme** to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.
- ❖ Launching a **Seaplane VGF Scheme** to indigenise manufacturing.
- ❖ ₹2 lakh crore support to states under **SASCI Scheme**.
- ❖ **Purvodaya: Development of Integrated East Coast Industrial Corridor.**

2.2 Ensuring long-term energy security and stability

- ❑ Scheme to adopt Carbon Capture Utilization and Storage (CCUS) with an outlay of ₹20,000 crore.



- ❑ Exemption of BCD on import of sodium antimonate for use in manufacture of solar glass.



- ❑ Exemption of BCD on import of capital goods required for the processing of critical minerals in India.



- ❑ Extending exemption of BCD to capital goods used for the manufacture of Lithium-Ion Cells for batteries to be used in battery energy storage systems.

- ❑ Extension of the existing basic customs duty exemption on imports of goods required for Nuclear Power Projects till the year 2035 and expand it for all nuclear plants irrespective of their capacity.

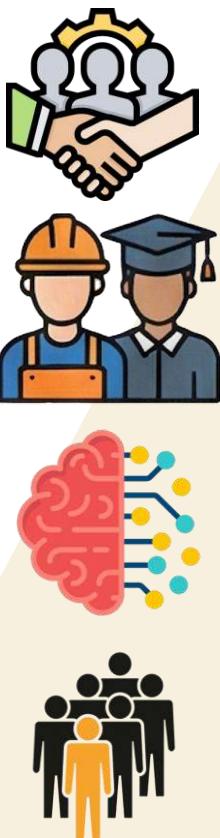
- ❑ Exclusion of entire value of biogas in Central Excise duty payable on biogas blended CNG.

2.3 Urbanisation: City Economic Regions



- ❖ **Amplifying the potential of cities** to deliver the economic power of agglomerations.
- ❖ Focus on Tier II, Tier III cities, and temple-towns.
- ❖ **‘Growth Connectors’** - 7 **High-Speed Rail corridors** between cities - Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, Varanasi-Siliguri - Environmentally sustainable passenger systems.

3. People Centric Development



Building a strong Care Ecosystem, covering geriatric and allied care services. Training of 1.5 lakh multiskilled caregivers.

Self-Help Entrepreneur (SHE) Marts to be set up as community-owned retail outlets within the cluster level federations.

Divyangjan Kaushal Yojana - providing dignified livelihood opportunities through industry-relevant and customized training specific to disability groups.

Divyang Sahara Yojana: Timely access to high-quality assistive devices for all eligible.

Supporting Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale up production of assistive devices, invest in R&D and AI integration.

Strengthen PM Divyasha Kendras as modern retail-style centres.

Setting up of a NIMHANS-2 & upgrading National Mental Health Institutes in Ranchi and Tezpur.

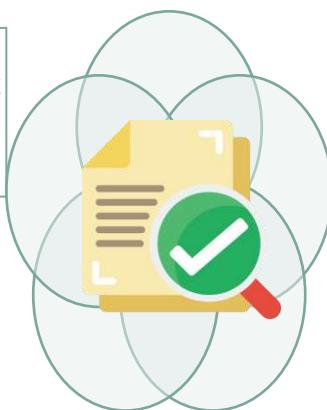
Establishing Emergency and Trauma Care Centres in district hospitals.

4. Trust based Governance

Enhancement of duty-deferral period for Tier 2 and Tier 3 Authorised Economic Operators (AEO) from 15 to 30 days. Eligible manufacturer-importers to get the same duty deferral facility. Government agencies will be encouraged to leverage AEO accreditation.

Transformation of Customs warehousing framework into a warehouse operator-centric system with self-declarations etc.

The filing of Bill of entry by a trusted importer, and arrival of goods to automatically notify Customs.



Extension of validity period of advance ruling, binding on Customs, from 3 years to 5 years.

Regular importers with trusted longstanding supply chains will be recognized in the risk system, so that the need for verification of their cargo every time can be minimized.



5. Ease of Doing Business and Ease of Living

- ✓ Individual Persons Resident Outside India (PROIs) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS).
- ✓ Interest awarded by the motor accident claim tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.
- ✓ Reduce TCS rate on sale of overseas tour program package from 5% and 20% to 2% without any stipulation of amount.
- ✓ Reduce TCS for pursuing education and for medical purposes under the Liberalized Remittance Scheme (LRS) from 5% to 2%.
- ✓ TDS on Supply of manpower services to be at the rate of either 1% or 2%.
- ✓ Obtaining a lower or nil deduction certificate through rule-based automated process for small taxpayers.
- ✓ Enable depositories to accept Form 15G or Form 15H from taxpayers holding securities in multiple companies.
- ✓ Time available for revising returns extended from 31st December to up to 31st March with the payment of a nominal fee.
- ✓ Individuals with ITR 1 and ITR 2 returns will continue to file till 31st July and non-audit business cases or trusts are proposed to be allowed time till 31st August.
- ✓ TDS on the sale of immovable property by a non-resident to be deducted and deposited through resident buyer's PAN instead of TAN.
- ✓ Introducing a one-time 6-month foreign asset disclosure scheme below a certain size for small taxpayers.
- ✓ Allow taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- ✓ Framework for immunity from penalty and prosecution in the cases of underreporting extended to misreporting.
- ✓ Non-production of books of account and documents and requirement of TDS payment is decriminalised.
- ✓ Immunity from prosecution with retrospective effect from 1.10.2024 for non-disclosure of non-immovable foreign assets with aggregate value less than ₹ 20 lakh.
- ✓ Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.
- ✓ Constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS).
- ✓ Tax buyback for all types of shareholders as Capital Gains. However, promoters will pay an additional buyback tax.
- ✓ Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.
- ✓ MAT is proposed to be made final tax.
- ✓ Exempt BCD on 17 drugs or medicines for cancer patients.
- ✓ Single and interconnected digital window for cargo clearance approvals.
- ✓ Customs Integrated System (CIS) to be rolled out in 2 years.
- ✓ Honest taxpayers willing to settle disputes will now be able close cases by paying an additional amount in lieu of penalty.

6. Fiscal matters

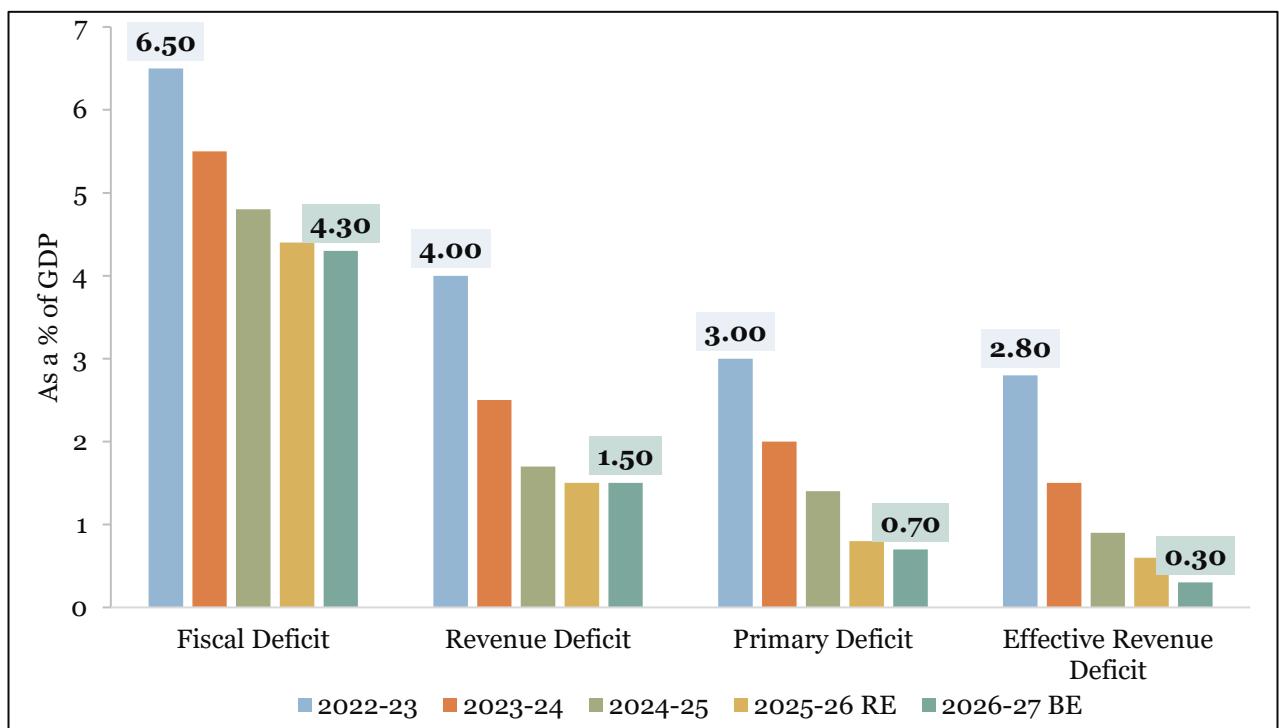
16th Finance Commission

- The Government has accepted the recommendation of the Commission to retain the vertical share of devolution at 41%.
- Provision ₹1.4 lakh crore to the States for the FY 27 as Finance Commission Grants. These include Rural and Urban Local Body and Disaster Management Grants.

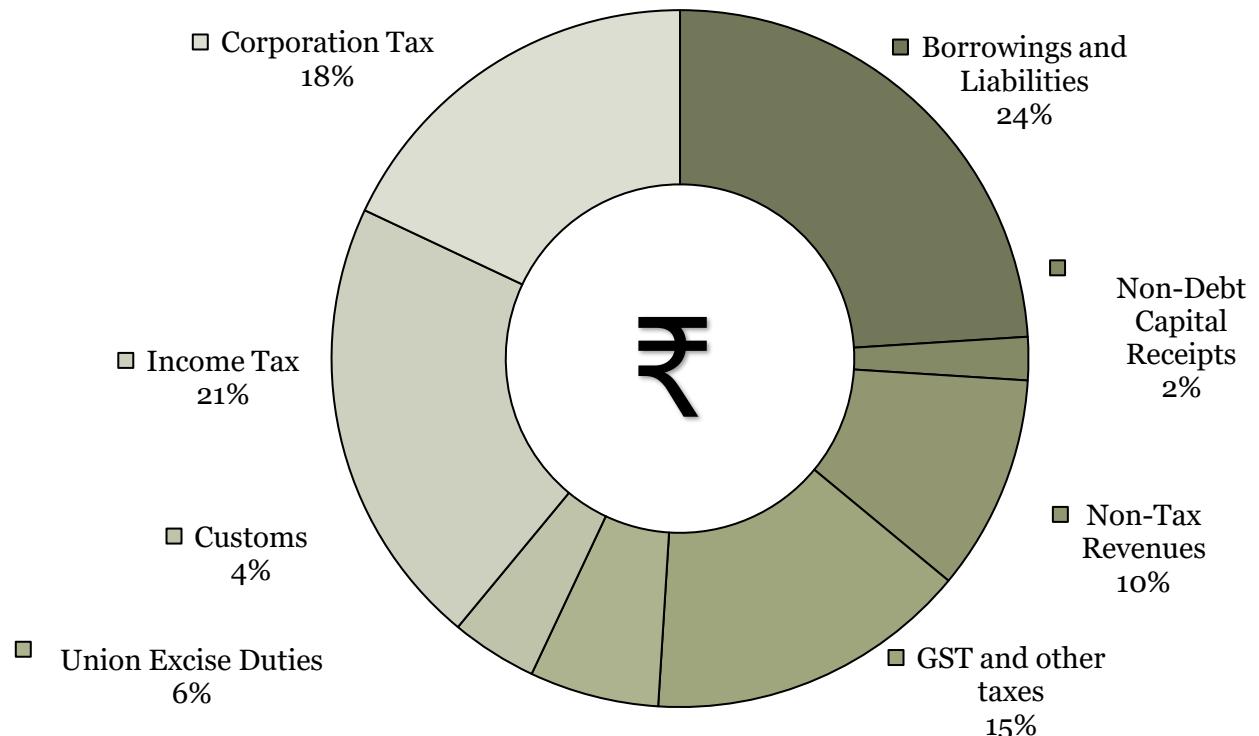
Fiscal Consolidation

- Central Government will target reaching a debt-to-GDP ratio of 50 ± 1 percent by 2030.
- The debt-to-GDP ratio is estimated to be 55.6 percent of GDP in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26.
- In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 percent of GDP. In line with the new fiscal prudence path of debt consolidation, the fiscal deficit in BE 2026-27 is estimated to be 4.3 percent of GDP.

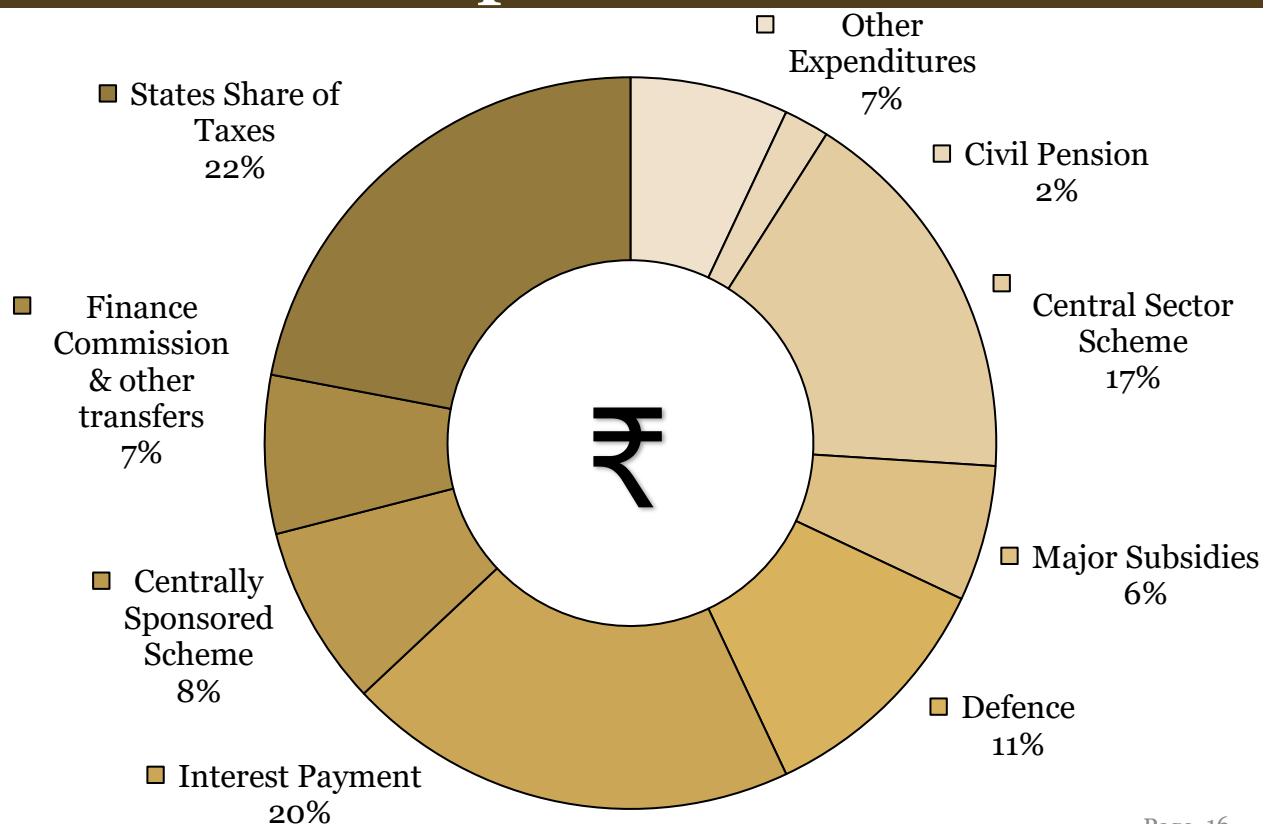
Deficit Trends



Rupee Comes From



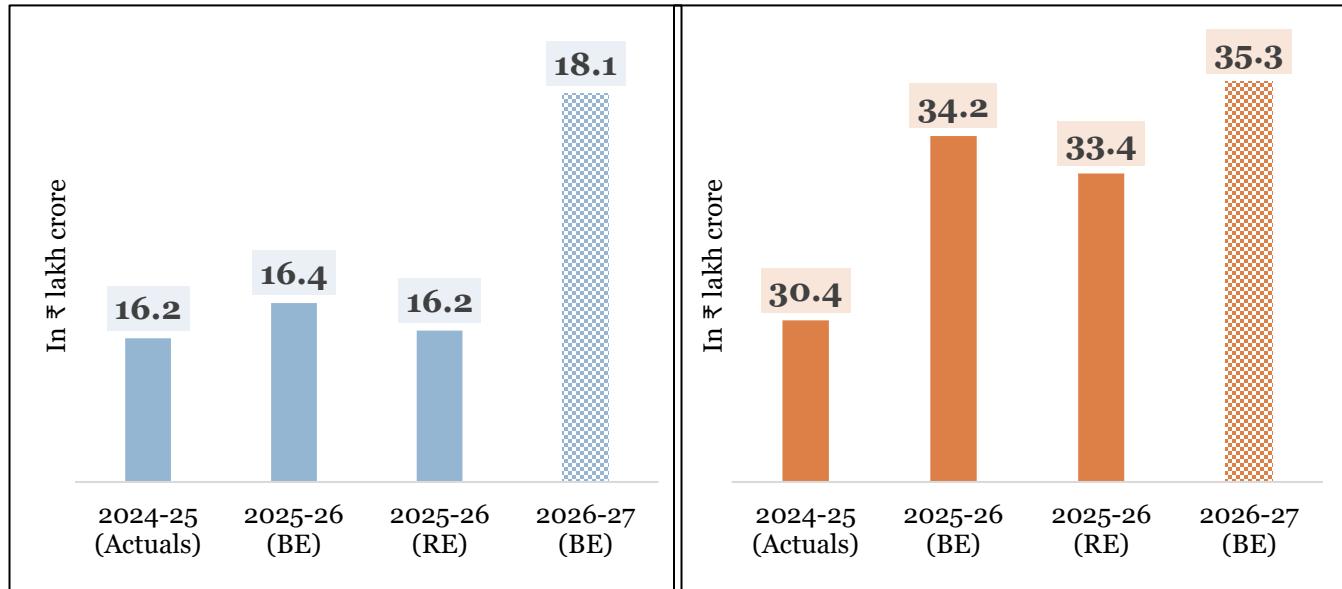
Rupee Goes To



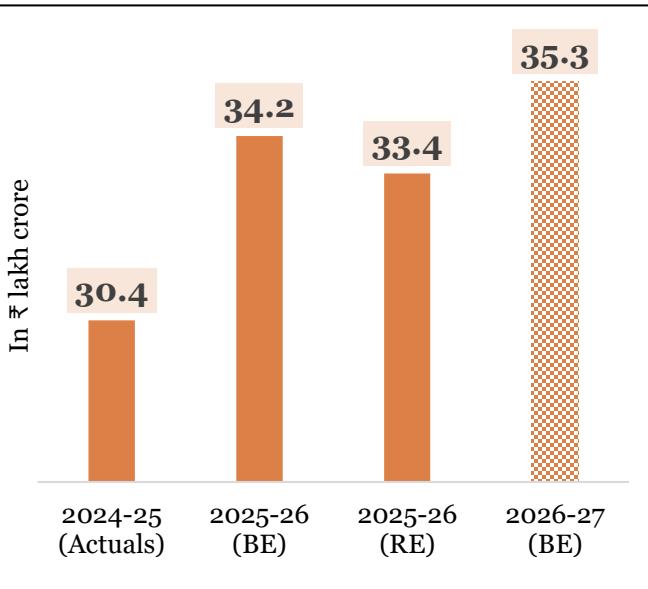


RECEIPTS

Capital Receipts

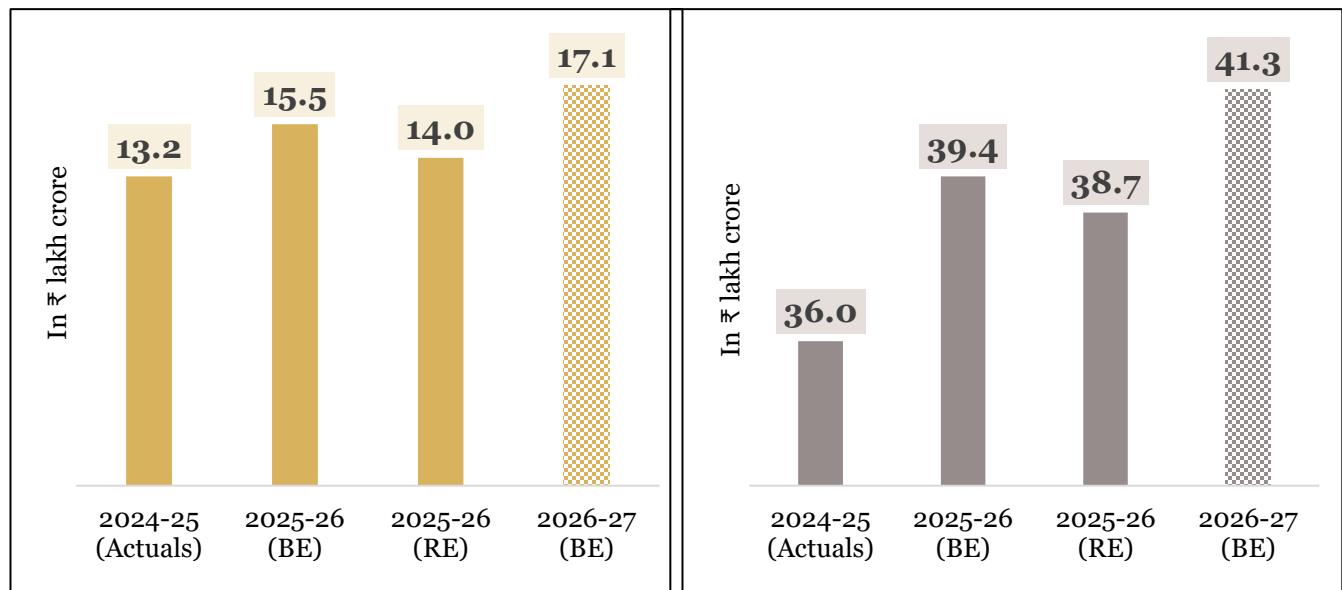


Revenue Receipts



EXPENDITURES

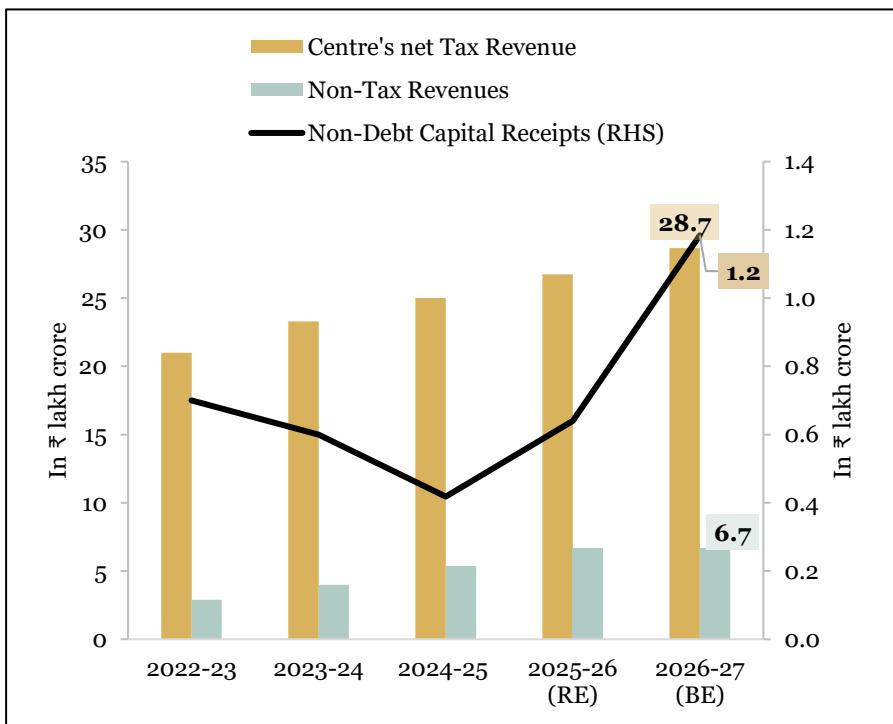
Effective Capital Expenditure



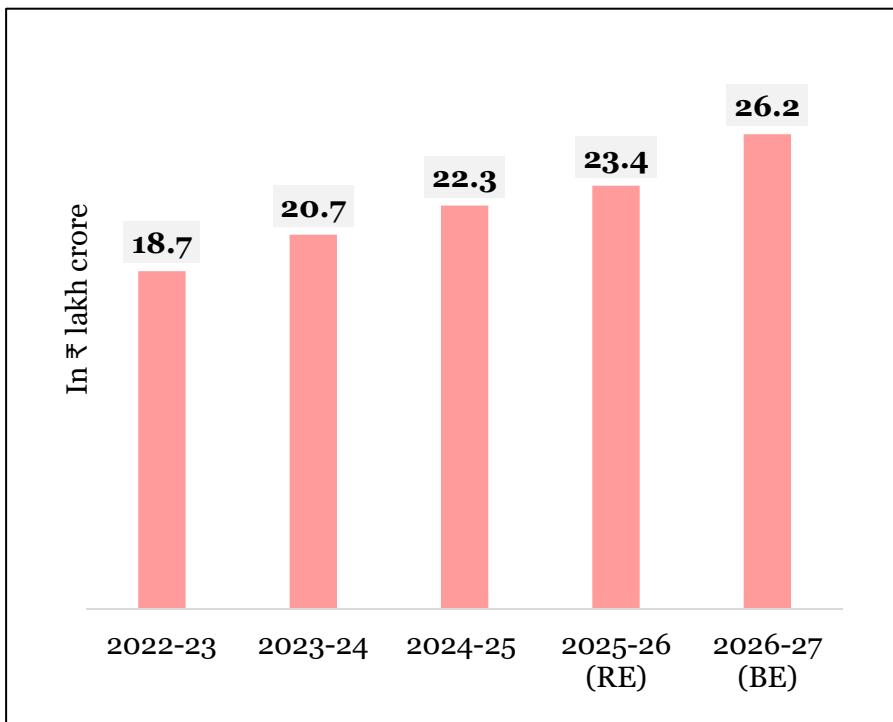


Robust Economic Foundations

Trend in Net Receipt of Centre

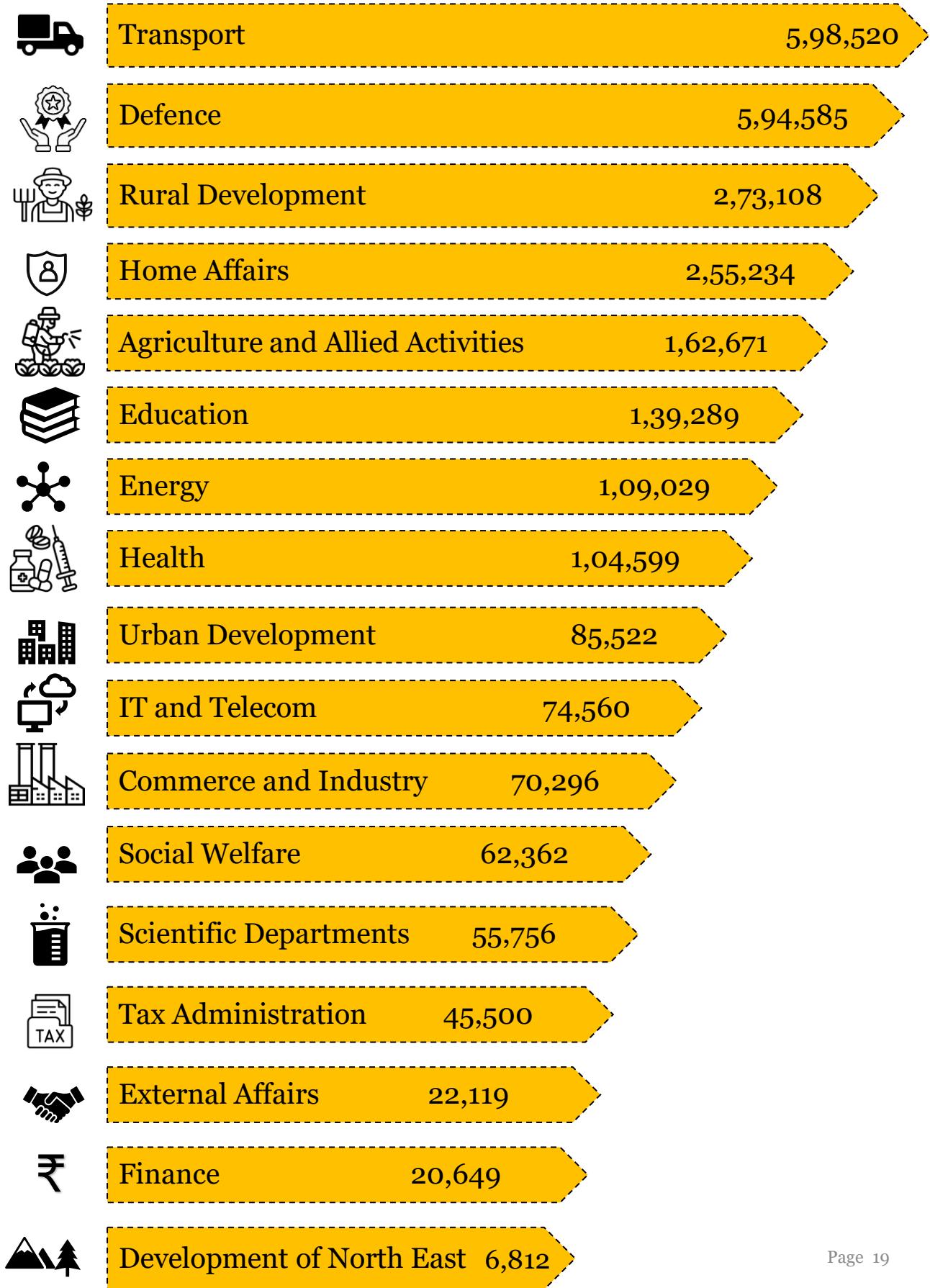


Total transfer to States and UTs



Expenditure of Major Items

In ₹ crore



GST : Key Highlights

1. GST Valuation Reform: Simplification of Post-Sale Discount Provisions

Section 15 of the GST Act provides for the determination of the **value of taxable supply**. **Section 15(3)(b)** prescribes the circumstances under which **post-supply discounts** may be excluded from the value of supply, subject to the following conditions:

- (i) such discount is established in terms of an agreement entered into **at or before the time of supply** and is **specifically linked to relevant invoices**; and
- (ii) the **input tax credit attributable to such discount**, on the basis of a document issued by the supplier, has been **reversed by the recipient of the supply**.

The requirement that post-supply discounts be **pre-agreed “at or before” the time of supply** and **linked to specific invoices** led to frequent disputes due to the **strict and technical interpretation** adopted by the tax authorities.

Recommendations: 56th GSTC meeting dated 03.09.2025: The GST Council acknowledged that the earlier provision was **overly restrictive** and not aligned with prevailing business practices. Accordingly, it recommended the **omission of section 15(3)(b)(i)** to reduce litigation and provide clarity.

Clause 137 of the Finance Bill, 2026: Section 15(3)(b) is being amended to **do away with requirement of linking the post-sale discount with an agreement** specifically linked to relevant invoices and to refer to **issuance of credit note u/s 34 where the input tax credit is reversed by the recipient**.

Clause 138 of the Finance Bill, 2026: Section 34(1) is being amended so as to **include the reference of discount referred u/s 15(3)(b)** in the said section for issuing credit notes for post-supply discounts.

ARS's Insights:

- ✓ Validates **commercial and year-end discounts** under GST.
- ✓ Curtails **litigation** on valuation.
- ✓ Aligns **Sections 15 and 34** for consistency.
- ✓ Ensures tax is levied only on **actual consideration received**.
- ✓ Provides greater **certainty and compliance ease** for taxpayers.

2. Streamlining Refunds under GST: Provisional Relief and Threshold Removal

The refund framework was originally structured to prioritise quick liquidity support mainly for zero-rated supplies, leaving taxpayers facing an inverted duty structure to endure prolonged blockage of working capital despite tax-neutral business models.

Similarly, the threshold limit for refund claims on exports with payment of tax had become administratively redundant and commercially restrictive, particularly for exporters with frequent, low-value shipments.

Recommendations: 56th GSTC meeting dated 03.09.2025: Amendment of Section 54(6) of the CGST Act, 2017 to allow provisional sanction of 90% of refund claims arising from inverted duty structure on a risk-based basis, similar to the mechanism available for zero-rated supplies.

Amendment of Section 54(14) of the CGST Act, 2017 to remove the threshold limit for refunds in respect of exports made with payment of tax, thereby facilitating refunds to small exporters, particularly those exporting through courier or postal mode etc.

Clause 139 of the Finance Bill, 2026: **Section 54(6)** is being amended to extend the provisions of provisional refund to refunds arising out of inverted duty structure.

Section 54(14) is being amended to provide for removing the threshold limit for refund claim in case of goods exported out of India with payment of tax.

ARS's Insights

- ✓ Enhances **ease of doing business**
- ✓ Statutory recognition of **IDS cash-flow hardship**
- ✓ Eliminates **artificial refund thresholds** for exporters
- ✓ Moves from control-driven to **risk-based refund regime**

3. Bridging Mechanism to Resolve Divergent Advance Rulings for Distinct Persons

The GST law provides a mechanism of **Advance Ruling** to enable taxpayers to obtain clarity on specified questions as provided u/s **97** of the GST Act.

Under this framework, an applicant is required to first file an application before the **Authority for Advance Ruling (AAR)**, which thereafter pronounces its ruling. Any person aggrieved by the ruling pronounced by the AAR may file an appeal before the **Appellate Authority for Advance Ruling (AAAR)** of the respective State or Union Territory.

Since the AARs and AAARs are constituted at the State level, divergent views began to emerge on identical issues, resulting in **conflicting advance rulings across**

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different States. The problem became more acute for **distinct persons u/s 25**, i.e, taxpayers having registrations and operations in multiple States, who started receiving **different advance rulings on the same issue** from different States. This situation undermined the fundamental GST objective of “**One Nation, One Tax.**”

Agenda of 32nd GST Council Meeting dated 10.01.2019 [Agenda Item 7(xiv)]: To address this anomaly and to ensure uniformity in the interpretation of GST law, the matter was discussed at length.

Pursuant to the decision of the GST Council, the **Finance Act, 2019** envisaged the constitution of a **National Appellate Authority for Advance Ruling (NAAAR)** u/s **101A**, along with a further right of appeal u/s **101B**. Section 101B provides for filing an appeal before the National Appellate Authority in cases of **conflicting advance rulings on the same issue given to distinct persons having the same PAN**.

However, despite these provisions being inserted in the statute, **neither section 101A nor section 101B has been made effective till date**. Consequently, taxpayers were left without an effective statutory remedy and were compelled to approach the **High Courts**, leading to avoidable litigation, uncertainty, and inconsistency.

To overcome this legal and administrative vacuum, vide Finance Bill, 2026 dated 01.02.2026 **sub-section (1A) has now been inserted in section 101A**.

Clause 140 of the Finance Bill, 2026: Insertion of a new sub-section (1A) in section 101A of the CGST Act, 2017 so as to provide that till the National Appellate Authority is constituted under sub-section (1), the Government may on the recommendation of the Council, by notification, empower any existing Authority to hear appeals made under section 101B.

It further seeks to provide that in such case, the provisions of **sub-sections (2) to (13) shall not apply**.

It also seeks to insert an Explanation in the said sub-section so as to provide that the expression “**existing Authority**” shall include a **Tribunal**.

ARS's Insights

- ✓ Provides an **interim appellate forum** until NAAAR is constituted.
- ✓ Resolves **State-wise conflicting rulings** for the same PAN (distinct persons).
- ✓ Reduces **writ litigation before High Courts**.
- ✓ Improves **certainty and uniformity** in GST interpretation.
- ✓ Supports the objective of “**One Nation, One Tax.**”

4. Restoring Destination-Based GST for Intermediary Services

Section 2(13) of IGST Act, 2017: “intermediary” means a broker, an agent or any other person, by whatever name called, who **arranges or facilitates the supply** of goods or services or both, or securities, **between two or more persons**, but **does not include a person** who **supplies** such goods or services or both or securities **on his own account**.

Minutes of 55th GST Council Meeting dated 21.12.2024 [Agenda Item 3(xii)]:

Section 13(8)(b) of IGST Act, 2017: The place of supply i.r.o. ‘**intermediary services**’ is the location of the supplier, which is an exception to the default rule of place of supply, which is the location of the recipient of the services.

Disputes arise i.r.o. scope of ‘**intermediary” services**’, resulting in show cause notices **denying benefit of export of services** in such cases, causing uncertainty to the industry involved in such supplies, mainly in IT and IT-enabled services (ITeS) sector, making them uncompetitive vis-a-vis foreign competitors.

The **Law Committee recommended** that **clause (b)** may **be omitted** from section 13(8) of IGST Act, 2017 so as to provide that the place of supply for “intermediary services” will be determined as per the default provisions under section 13(2) of the IGST Act, 2017 i.e. the location of the recipient of such services, so as to provide certainty in the matter of taxation of such services.

Recommendations: 56th GSTC meeting dated 03.09.2025: The Council recommended **omission** of **clause (b)** of **section 13(8)** of IGST Act 2017. Accordingly, after the said law amendment, the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, 2017 i.e. the location of the recipient of such services.

Clause 141 of the Finance Bill, 2026: Omission of clause (b) of sub-section (8) of section 13 of the IGST Act, 2017 so as to **provide** that the **place of supply** for “**intermediary services**” shall be determined as per the provisions of sub-section (2) of section 13 of the said Act, which is the **location** of the **recipient** of such services.

ARS's Insights

- ✓ Removes supplier-location rule for intermediary services.
- ✓ Restores recipient-based place of supply.
- ✓ Enables export status for eligible intermediary services.
- ✓ Brings certainty to IT and ITeS sector.

Customs Act – Key Highlights

(a) The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to carry out changes as under-

A. Modification in Tariff rate (to be effective from 02.02.2026) * [Clause 136(a) of the Finance Bill, 2026]		Rate of Basic Customs Duty		
S. No.	Heading, sub-heading, tariff item	Commodity	From (per cent)	To (per cent)
MSME sector				
1.	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or Rs. 60 per piece, whichever is higher
B. Decrease in Tariff rate (to be effective from 01.04.2026) [Clause 136(b) of the Finance Bill, 2026]				
1.	9804	All dutiable goods, imported for personal use	20%	10%

C.	Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] * [Clause 136(c) of the Finance Bill, 2026] *Note:			Rate of Duty
	<ol style="list-style-type: none"> The current applied rate of Basic Customs Duty on these commodities operate through their respective exemption/concessional duty notification(s). Such corresponding entries would be omitted from the concerned notification(s) with effect from 01.05.2026, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or subheading. The said changes are to be read with consequent amendments related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC). 			
S. No.	Heading, sub-heading tariff item	Commodity	From	To
(1)	(2)	(3)	(4)	(5)
1.	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2.	0306 36 60	Artemia	5%	Nil
3.	0511 91 40	Artemia cysts	5%	Nil
4.	0802 11 00	Almonds, in shell	Rs.42 per kg	Rs.35 per kg

5.	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs. 100 per kg
6.	0802 31 00	Walnuts, in shell	120%	100%
7.	1209 (other than those falling under subheadings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
8.	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9.	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10.	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11.	2309 90 31	Prawn and shrimps feed	15%	5%
12.	2504	Natural graphite	5%	2.5%
13.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of the Customs Tariff Act, 1975	5%	Nil
14.	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
15.	2530 90 91	Strontium sulphate (natural ore)	5%	Nil

16.	2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17.	2709 00 10	Petroleum crude	5%	Re 1 per tonne
18.	2804 50 20	Tellurium	5%	Nil
19.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20.	2804 69 00	Silicon, other	5%	Nil
21.	2804 90 00	Selenium	5%	Nil
22.	2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23.	2809 20 10	Phosphoric Acid	7.5%	5%
24.	2811 22 00	Silicon dioxide	7.5%	2.5%
25.	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
26.	2822 00 10	Cobalt oxides	7.5%	Nil
27.	2822 00 20	Cobalt hydroxides	7.5%	Nil
28.	2822 00 30	Commercial cobalt oxides	7.5%	Nil

29.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30.	2825 30	Vanadium oxides and hydroxides	7.5%	Nil
31.	2825 60 10	Germanium oxides	7.5%	Nil
32.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil

33.	2825 80 00	Antimony Oxides	7.5%	Nil
34.	2825 90 20	Cadmium oxide	7.5%	Nil
35.	2827 35 00	Chlorides of Nickel	7.5%	Nil
36.	2827 39 30	Strontium chloride	7.5%	Nil
37.	2833 24 00	Sulphates of Nickel	7.5%	Nil
38.	2834 21 00	Nitrates of potassium	7.5%	Nil
39.	2836 91 00	Lithium carbonates	7.5%	Nil
40.	2836 92 00	Strontium carbonate	7.5%	Nil
41.	2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
42.	2918 15 30	Bismuth citrate	7.5%	Nil
43.	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%

44.	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
45.	3808 93 30	Gibberellic acid	10%	5%
46.	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
47.	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil
48.	5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
49.	7202 60 00	Ferro-nickel	2.5%	Nil
50.	7402 00 10	Blister copper	5%	Nil
51.	7802	Lead waste and scrap	5%	Nil
52.	7902	Zinc waste and scrap	5%	Nil
53.	8105 20 30	Cobalt powders	5%	Nil

54.	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%
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NEW TARIFF LINES HAVE BEEN CREATED

S. No.	Chapter/ heading/sub- heading/tariff item mentioned in notification	Commodity	New tariff item being created w.e.f. 01.05.2026	Rate of duty
(1)	(2)	(3)	(4)	(5)
55.	0306 19 00	Krill, frozen	0306 19 10	15%
56.	0802 99 00	Pecan Nuts	0802 99 10	30%
57.	0810 40 00	Cranberries, fresh	0810 40 10	10%
58.	0810 40 00	Blueberries, fresh	0810 40 20	10%
59.	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
60.	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%

61.	0813 40 90	Cranberries, dried	0813 40 30	10%
62.	0813 40 90	Blueberries, dried	0813 40 40	10%
63.	1207 99 90	Shea Nuts	1207 99 50	15%

64.	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
65.	2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
66.	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade		50%
67.	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68.	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
69.	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70.	2841	Ammonium metavanadate	2841 90 10	2.5%
71.	29	Gibberellic acid	2932 20 40	5%
72.	29	Triethyl orthoformate	2915 90 96	5%
73.	29	Diethyl malonate	2917 19 22	5%
74.	29	DL-2 Aminobutanol	2922 19 30	5%

75.	29	Aceto butyrolactone	2932 20 50	5%
76.	29	Artemisinin	2932 99 30	5%
77.	29	Thymidine	2934 99 50	5%
78.	3302 10	Mixtures of odiferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
79.	4104 11 00, 4104 19 00, 4104 10 00, 4105 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 00, 4104 19 00, 4104 10 00, 4105 21 00, 4106 31 00, 4106 91 00	Nil
80.	4702	Rayon grade wood pulp	4702 00 10	2.5%
81.	4823 90 90	All goods other than kites	4823 90 90 (kites fall under new tariff item 4823 90 40)	10%
82.	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%
83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%
84.	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%

85.	8507 90	Battery separators	8507 90 20	5%
86.	8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%
87.	8609 00 00	Refrigerated containers	8609 00 10	5%

In addition to the above, the First Schedule to the Customs Tariff Act, 1975 has also been amended to create new tariff items which will, inter-alia, help in better product identification; getting actual transaction data of precursor chemicals and help in their effective monitoring; facilitating, tracking exports and deciding policy measures for plant-based extract products. **These changes will be effective from 1.05.2026, unless otherwise specified.**

Central Excise – Key Highlights

1. NCCD on Tobacco Products (Chewing / Jarda / Gutkha)

- The Seventh Schedule to the Finance Act, 2001 is amended w.e.f. 01.05.2026 to increase the statutory NCCD rate on:
 - HS 2403 99 10 – Chewing tobacco
 - HS 2403 99 30 – Jarda scented tobacco
 - HS 2403 99 90 – Other tobacco products including gutkha
- Schedule rates move from **25% to 60%** for these tariff items, but a separate exemption notification will maintain the effective rate at 25%. (Notification No. 01/2026-Central Excise.)

2. Excise Duty on Blended CNG Containing Biogas/CBG

- With effect from **02.02.2026**, while computing central excise duty on **blended CNG containing Biogas/Compressed Biogas (CBG)**, the **value** of the biogas/CBG portion and the GST (Central, State, UT or IGST) paid on such biogas/CBG are to be **excluded** from the **transaction value**
- Notification No. 11/2017-CE (30.06.2017) is amended by Notification No. 02/2026-CE to give this benefit.
- Notification No. 05/2023-CE (which earlier exempted excise only on the GST component on biogas/CBG in blended CNG) is **rescinded from 02.02.2026** by issue of Notification No. 03/2026-Central Excise.

3. Additional Excise Duty on Unblended Diesel – Deferred

- The planned **additional excise duty of ₹2 per litre on unblended diesel is not being implemented immediately.**
- Its implementation is **deferred till 31.03.2028** by amending Notification No. 11/2017-CE through Notification No. 02/2026-CE.

Direct Taxes – Key Highlights

1. Personal Income Tax & Ease of Living

- **Income Tax Slabs:** There are no proposed changes to the existing tax slabs or rates for the assessment year 2026-27.
- **Exemption for Accident Victims:** Any **interest** awarded on compensation amount by the Motor Accident Claims Tribunal (MACT) **to an individual** shall be exempt, and no TDS will be deducted on such interest.
- **Foreign Assets Disclosure:** A new Foreign Assets of Small Taxpayers Disclosure Scheme (FAST DS), 2026 is introduced as a time-bound window for declaring foreign assets and income below specified thresholds.
- Resident Ind/ HUF can now **use PAN instead of TAN** for TDS when purchasing immovable property from non-residents.

2. Capital Gains & Securities Taxation:

- **Share Buybacks:** Consideration received from buybacks to be taxed as **Capital Gains** for shareholders rather than dividend income.
- **Differential Tax for Promoters on Share Buybacks:** Effective rate on gains will be **22%** for promoters (**domestic companies**), and **30%** for other promoters to prevent tax arbitrage.
- **STT Rate Hike:** Securities Transaction Tax (STT) on **Futures** is increased to **0.05%** (from 0.02%), and on **Options premium and exercise of options**, it is raised to **0.15%**.
- **Sovereign Gold Bonds (SGB):** Capital gains exemption is now restricted only to **original individual subscribers** who hold the bonds until maturity.
- **Mutual Funds/Dividends:** No deduction to be allowed for interest expenditure incurred to earn dividend income or income from mutual fund units.

3. Rationalization of TDS/ TCS:

- **Lower TCS on Overseas Travel:** TCS rate on "overseas tour program packages" is reduced to a flat **2%** (down from 5%/ 20%).
- **LRS Liberalization:** TCS for **education and medical remittances** under the

Liberalised Remittance Scheme (LRS) is reduced to **2%**.

- **TCS on commodities:** TCS on the sale of alcoholic liquor for human consumption, tendu leaves, scrap, and minerals (coal/lignite/iron ore) is rationalized to **2%**.
- **Supply of Manpower:** To include supply of manpower within the definition of “**work**” under Section 402(47) of the Income Tax Act, 2025, attracting TDS as **payment to contractors** rather than professional fees.
- **Relief in compliance:**
 - a) Small taxpayers can file online application for **Nil/Lower deduction of tax certificates** will now feature electronic verification and issuance.
 - b) Taxpayers can now **file a single declaration** for no tax deduction with a depository for dividends, interest on securities, and mutual fund income, removing the burden of filing with multiple individual payers.

4. Cooperative Societies Reforms

- **Deduction of Inter-cooperative Dividends under new tax regime:** To avoid double taxation, dividends received by one cooperative society from another are now deductible in the new tax regime, to the extent it is further distributed to members.
- **Dividend received by National Co-operative Federations:** Dividend received by notified national federal cooperatives from companies is exempt for three years for investments made until January 31, 2026, to the extent that it is further distributed to members.
- c) **Cattle Feed & Cotton Seed:** Primary cooperatives **supplying cattle feed or cotton seed to federal cooperatives or government agencies** can now claim deductions on their profits

5. Corporate Tax Regime

- **Exemption from MAT:** Extend such exemption from MAT to all non-residents who pay tax on a presumptive basis.
- **MAT Reduction and allowance of set-off of b/f MAT credit:**
 - a) MAT rate is reduced from 15% to **14%** for companies shifting to the new tax regime, where it will be treated as a final tax.

b) **Set off of any brought forward MAT credit** available from prior to tax year 2026-27 will be **allowed to domestic companies** which shift henceforth to the new regime. **Set-off using available MAT credit** is proposed to be **allowed to an extent of 1/4th of the tax liability** in the new regime.

6. Benefits for Global Investors

- **Data Centres Tax Holiday:** A tax holiday up to **2047** will be provided to a **foreign company** providing services by procuring **data centre services** in India. **Sale of such services to Indian users** will be made through an Indian reseller entity and taxed appropriately.
- **Provide a safe harbour** of 15% to the **resident entity** providing data centre services **to a related foreign company** (who is providing cloud services to any part of the world outside India).
- **IFSC and OBUs Incentives:** Increase the period of deduction to **20 consecutive years** out of 25 years for **IFSC units** and **20 consecutive years** to **OBUs**.
- **Safe Harbour Expansion:** Threshold for IT services safe harbour increased from ₹300 crore to **₹2,000 crore** with an automated, rule-driven approval process.

7. Tax Administration & Compliance

Integrated Proceedings & Fee Conversion

- a) **Common Orders:** Assessment and penalty proceedings will now be integrated into a single order to speed up dispute resolution.
- b) **Interest Relief:** Interest on penalties will be stayed while an appeal is pending before the first appellate authority.
- c) **Penalty to Fee:** Failure to audit accounts, furnish Transfer Pricing reports, or furnish statements for financial transactions (SFTs), is converted from a **penalty to a fee**.

Prosecution & Decriminalization

- a) **Decriminalized Actions:** Production of books and TDS on "payments in kind" to be fully decriminalized.
- b) **Lighter Sentencing:** Rigorous imprisonment is rationalised to simple

imprisonment, and the maximum punishment for offences (other for repeated offence) is reduced **from 7 years to 2 years**.

- c) **Minor Offences:** Punishment is limited to a fine only.
- d) **Punishment** for two-year offences reduced to six months with or without fine, with no minimum imprisonment.

Tax & Immunity Rationalization

- a) **Special Income Rate:** The tax rate on income in nature of cash credits, unexplained investments, etc is halved **from 60% (plus 10% penalty) to 30%**. Penalty on such amount would be merged with penalty for underreporting of income in consequence of misreporting of income that is 200% of tax amount.
- b) **Black Money Act: Retrospective immunity** for prosecution **(from October 1, 2024)** is granted for non-disclosure of non-immovable foreign assets valued under ₹20 lakh.

Updated Returns: Taxpayers can now file updated returns even after reassessment has been initiated by paying an extra 10% tax; notably, no penalty applies to income reported via such returns.

8. Other Proposals:

- **Global Talent Exemption:** Experts visiting India under notified schemes can enjoy a 5-year exemption on their global income (other than Indian-sourced income).
- **Constitute** a Joint Committee of MCA and CBDT for incorporating the requirements of ICDS in the Ind AS itself. **Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.**
- **Extended ITR Deadlines:**
 - a) **Return of Income:** The due date for non-audit business cases and trusts is moved to August 31st, while ITR 1 and ITR 2 filers remain on July 31st.
 - b) **Revised Returns:** Can now be filed up to March 31st following the tax year (with a nominal fee if filed after December 31st).

All Round Support :

GST (Goods & Services Tax), Customs, Central Excise, Service Tax, VAT, CST.

MSME (Micro Small & Medium Enterprises) Support

RERA, Real Estate – Project Registration / Extension, Quarterly Updates, Compliance, Management of Escrow Account, Agents & Allottees Support, Taxation, Legal, Accounting, Drafting, Representation.

Labour Laws Compliance

Make in India – Advisory, Set Up, Hand - Holding, Tax & Regulatory, Audits, Transactions

LPO (Legal Process Outsourcing)

Compliance (Accounting, Computation, Return Filing)	Corporate Training
Compliance Review	Contract Evaluation
Compliance Verification Support	Business Process Re-engineering
Advisory	Documentation and Internal Control
Litigation Management	SAP Implementation Support
GST Implication Review	Compliance Process Implementation
Audit & Assurance	Internal Financial Control & Analysis
RERA Registration	RERA Accounting
RERA Audit	RERA Quarterly Progress Report

