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# India Union | **20** **BUDGET** | **26**

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# Foreword



**CA Inderpal Singh  
Pasricha**

Senior Partner

E: [ippasricha@capasricha.com](mailto:ippasricha@capasricha.com)

Union Budget 2026–27 arrives at a defining juncture for India's economy—one characterized by resilient domestic fundamentals yet confronted by an increasingly fragmented global order. Geopolitical realignments, supply chain reconfigurations, and technology-driven disruptions are reshaping the architecture of trade, capital flows, and competitiveness. In this environment, policy credibility matters as much as policy ambition.

This Budget marks a strategic inflection: a shift from tactical stimulus to structural transformation. Anchored in three constitutional kartavyas—accelerating growth, building aspirational capacity, and ensuring inclusive development—it reflects institutional maturity in fiscal management. The government has delivered on its consolidation commitment (fiscal deficit at 4.3% of GDP) while sustaining capital expenditure at ₹12.2 lakh crore, signaling that long-term productive investments will not be compromised for short-term fiscal optics.

From a professional advisory standpoint, what distinguishes Budget 2026–27 is not the magnitude of allocations, but the clarity of intent. Businesses today seek predictability in tax regimes, consistency in regulatory interpretation, and confidence that reforms will endure beyond the budget cycle. The new Income Tax Act, 2025—operationalizing from April 2026—represents the most comprehensive tax code simplification in decades. The rationalization of penalty frameworks, integration of assessment and penalty proceedings, and expansion of safe harbor provisions signal a deliberate move toward reducing compliance friction and litigation burden.

Equally significant are the sectoral priorities: biopharma manufacturing (₹10,000 crore), semiconductor ecosystem 2.0, rare earth corridors, MSME equity and liquidity support (₹12,000 crore combined), and services sector emphasis targeting 10% global market share by 2047. These are not incremental interventions; they represent a calculated industrial policy framework—one that recognizes India's comparative advantages while addressing critical import dependencies.

The financial sector reforms—establishment of a High-Level Committee on Banking, NBFC restructuring, corporate bond market development, and FEMA review—suggest that the government understands that capital allocation efficiency and financial stability are prerequisites for sustained 7%+ growth.

However, budgets are exercises in intent; outcomes depend on execution. The critical questions remain: Will the promised simplification reduce the 5+ million pending tax disputes? Will safe harbor automation and APA fast-tracking genuinely reduce transfer pricing uncertainty? Will challenge-mode schemes for City Economic Regions, textile parks, and university townships translate into operational ecosystems within stated timelines? Will coordination between the Centre, states, and regulators match the ambition of 350+ announced reforms?

At IPPC GROUP (I.P. Pasricha & Co), we recognize that professional value lies not in summarizing announcements, but in decoding implications. This publication has been developed to provide our clients, industry stakeholders, and professional colleagues with a rigorous analysis of Budget 2026–27—examining fiscal architecture, rupee movement dynamics, direct and indirect tax proposals, and sector-specific impact with the granularity necessary for strategic decision-making.

We have structured this analysis to serve as a practical reference: understanding not just what has been announced, but what it means for tax planning, regulatory compliance, capital allocation, and risk management in the year ahead.

The true measure of Union Budget 2026–27 will be revealed not in parliamentary applause, but in the consistency and effectiveness of its implementation—in the speed of notification, the quality of rules, the responsiveness of administration, and the tangible reduction in compliance costs.

We trust this publication will serve as a valuable resource as you navigate the post-Budget environment with clarity, foresight, and preparedness.



**CA Maneet Pal Singh**  
Managing Partner

E: [maneet@capasricha.com](mailto:maneet@capasricha.com)

# Budget **Overview**

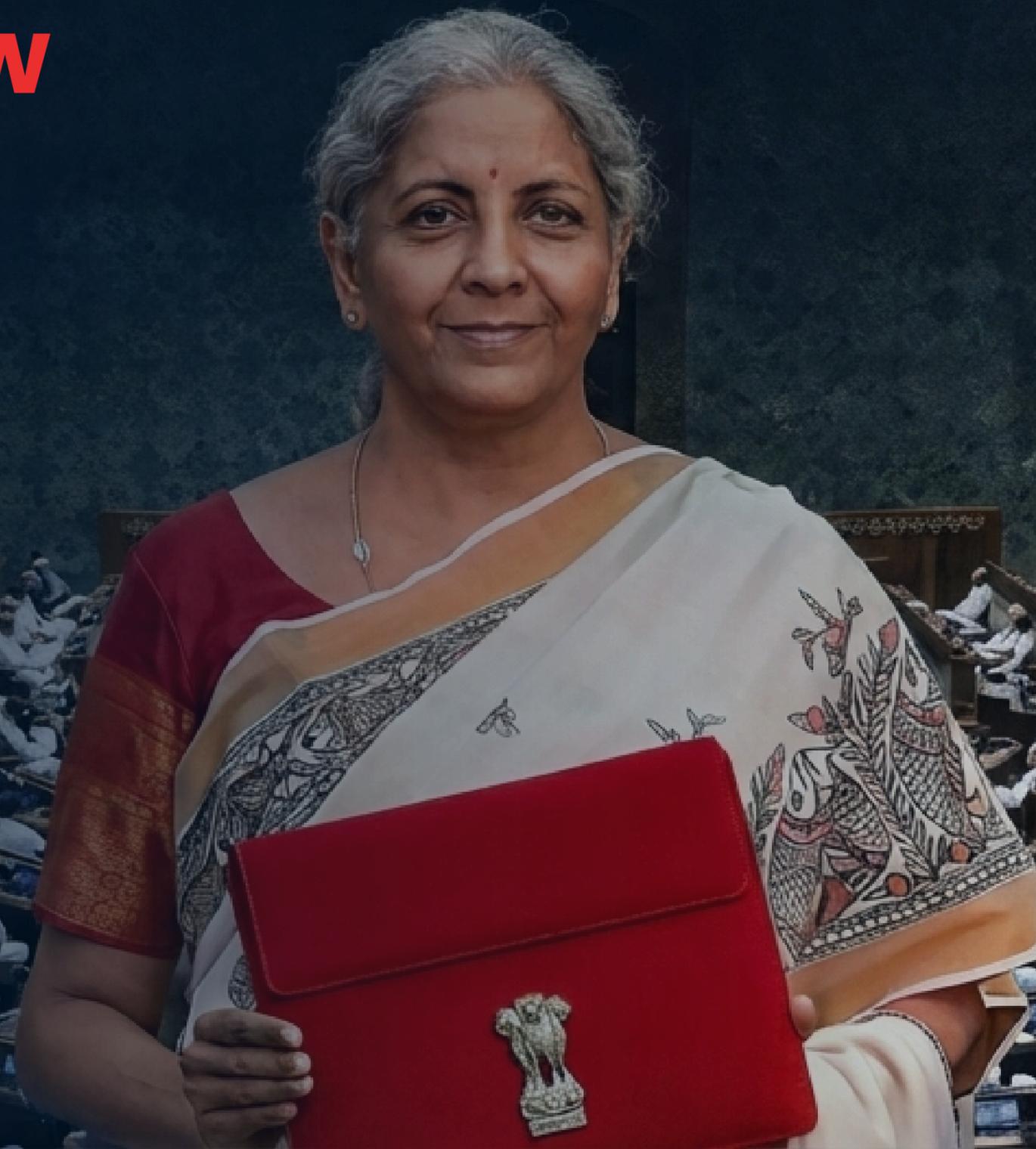
Executive Summary

Macroeconomic Context

Three Kartavya Framework

Financial Sector Reforms

Conclusion



# Budget Overview

## THEME: YUVA SHAKTI-DRIVEN BUDGET, THREE KARTAVYAS FOR VIKSIT BHARAT

### EXECUTIVE SUMMARY

The Union Budget 2026-27, presented on February 1, 2026, marks a strategic shift from tactical interventions to structural transformation.

Finance Minister Nirmala Sitharaman has articulated a framework anchored in three kartavyas (constitutional duties): accelerating sustainable growth, building aspirational capacity, and ensuring inclusive development. This youth-driven budget, informed by the Viksit Bharat Young Leaders Dialogue 2026, emphasizes manufacturing scale-up, services sector modernization, and technology-enabled governance while maintaining fiscal discipline.

### MACROECONOMIC CONTEXT

India has sustained approximately 7% growth over the past decade despite global disruptions. The current environment, however, presents distinct challenges:

- Trade fragmentation and multilateral framework stress
- Supply chain vulnerabilities in semiconductors, rare earths, and pharmaceuticals
- Technology transformation reshaping production and labor markets
- Resource competition for water, energy, and critical minerals

The government's response balances atmanirbharta (self-reliance) with global integration, leveraging technology for productivity while ensuring inclusive prosperity.

### FISCAL ARCHITECTURE

#### Disciplined Consolidation Path

The government has delivered on its commitment to reduce fiscal deficit below 4.5% of GDP:

FISCAL METRIC	RE 2025-26	BE 2026-27
Fiscal Deficit (% of GDP)	4.4%	4.3%
Debt-to-GDP Ratio	56.1%	55.6%

**Target:** Debt-to-GDP ratio of 50±1% by 2030-31

#### Budgetary Aggregates

PARTICULARS	RE 2025-26 (₹ LAKH CRORE)	BE 2026-27 (₹ LAKH CRORE)	GROWTH (%)
<b>Non-debt Receipts</b>	34.0	36.5	7.4
Net Tax Receipts	26.7	28.7	7.5
<b>Total Expenditure</b>	49.6	53.5	7.9
<b>Capital Expenditure</b>	11.0	12.2	10.9
Fiscal Deficit	15.6	17.0	9.0

**Key Highlight:** Capital expenditure at ₹12.2 lakh crore represents a **six-fold increase** from ₹2 lakh crore in FY 2014-15.

### REFORM EXPRESS: MOMENTUM ACHIEVED

Post-Independence Day 2025 announcement, over 350 reforms operationalized:

- GST simplification and return rationalization
- Labour Code notification (consolidating 29 laws into 4 codes)
- Quality Control Orders rationalization
- Deregulation coordination with states

This represents continuous adaptive policy evolution rather than episodic interventions.

### THREE KARTAVYA FRAMEWORK

- Accelerating Economic Growth
- Fulfilling Aspirations
- Inclusive Development

### FIRST KARTAVYA: ACCELERATING ECONOMIC GROWTH

Six Growth Vectors:

1. Manufacturing Scale-Up	4. Infrastructure Push
2. Legacy Industrial Cluster Rejuvenation	5. Energy Security
3. Champion MSMEs	6. City Economic Regions

# Budget Overview

## 1. MANUFACTURING SCALE-UP

Initiative	Allocation	Objective
Biopharma SHAKTI	₹10,000 crore (5 years)	Biologics/biosimilars hub; 3 new NIPERs; 1,000+ clinical trial sites
Electronics Components	₹40,000 crore	Enhanced from ₹22,919 crore
Semiconductor Mission 2.0	-	Equipment, materials, Indian IP, supply chain
Semiconductor Mission 2.0	-	Odisha, Kerala, AP, Tamil Nadu
Container Manufacturing	₹10,000 crore (5 years)	Global competitiveness
CCUS Technologies	₹20,000 crore (5 years)	Decarbonization across 5 sectors

**Textile Sector:** Integrated program with National Fibre Scheme, cluster modernization, handloom support, sustainability, and skilling (Samarth 2.0). Mega Textile Parks and Mahatma Gandhi Gram Swaraj initiative for global market linkage.

**Capital Goods:** Hi-Tech Tool Rooms, Construction & Infrastructure Equipment scheme, chemical parks (3 locations via challenge mode).

## 2. LEGACY INDUSTRIAL CLUSTER REJUVENATION

200 clusters to receive infrastructure and technology upgrades for enhanced competitiveness.

## 3. MSMEs

- **Equity:** ₹10,000 crore SME Growth Fund; ₹2,000 crore Self-Reliant India Fund top-up
- **Liquidity:** TReDS enhancement: mandatory for CPSEs, CGTMSE guarantee, GeM integration, ABS introduction
- **Professional:** 'Corporate Mitras' via ICAI/ICSI/ICMAI for Tier-II/III compliance support

## 4. INFRASTRUCTURE PUSH

- **Freight:** Dankuni-Surat Dedicated Freight Corridor; 20 new National Waterways (5 years)
- **Passenger:** 7 High-Speed Rail corridors (Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, Varanasi-Siliguri)
- **Maritime:** Coastal cargo share target increased from 6% to 12% by 2047
- **Aviation:** Seaplane manufacturing indigenization with VGF support
- **Financing:** Infrastructure Risk Guarantee Fund; CPSE REITs for asset monetization

## 5. ENERGY SECURITY

CCUS deployment (₹20,000 crore/5 years) across power, steel, cement, refineries, chemicals.

## 6. CITY ECONOMIC REGIONS

₹5,000 crore per CER (5 years) for Tier-II/III cities via challenge mode with reform-linked financing.

## SECOND KARTAVYA: FULFILLING ASPIRATIONS

### High-Powered Education-to-Employment Committee

To identify services growth sectors, assess AI impact on jobs, propose curriculum integration, recommend upskilling pathways, and attract global talent.

### Professional Workforce Creation

Sector	Intervention	Target/Output
Health	Allied Health Professionals (10 disciplines)	1 lakh AHPs (5 yrs)
	Geriatric & Care Ecosystem	1.5 lakh caregivers (Yr 1)
	Regional Medical Hubs	5 hubs (medical tourism, AYUSH, diagnostics)
AYUSH	New AIs & Lab Upgrades	3 institutes + export readiness
Veterinary	Loan-linked subsidy (private institutions)	20,000+ professionals
AVGC	Content Creator Labs	15,000 schools, 500 colleges
Design	National Institute of Design (East)	1 new institute
Education	University Townships	5 (industrial corridors)
	STEM Girls' Hostels	1 per district



# Budget Overview

Sector	Intervention	Target/Output
Tourism	Hospitality Institute (NCHMCT upgrade)	Capacity & quality boost
	Tourist Guide Upskilling	10,000 guides, 20 sites
	Digital Knowledge Grid	Heritage & culture mapping
	Ecotourism Trails	Mountain, turtle, bird trails
	Archaeological Sites	15 sites (incl. Lothal, Dholavira)
Sports	Khelo India Mission	Long-term talent & infra push

## THIRD KARTAVYA: INCLUSIVE DEVELOPMENT

### Agriculture & Rural Economy

- Fisheries: 500 reservoirs/Amrit Sarovars; coastal value chain via Fish FPOs
- Animal Husbandry: Credit-linked subsidy; Livestock FPOs
- High-Value Crops: Coconut Promotion Scheme; cashew/cocoa self-reliance by 2030; sandalwood ecosystem; nuts (almonds, walnuts, pine nuts) in hilly regions
- Bharat-VISTAAR: Multilingual AI tool integrating AgriStack, ICAR practices for customized farm advisory

### Women's Empowerment

SHE-Marts (Self-Help Entrepreneur Marts): Community retail outlets transitioning Lakhpatti Didis to enterprise owners.

### Divyangjan Empowerment

- Divyangjan Kaushal Yojana: Industry-relevant training (IT, AVGC, hospitality)
- Divyang Sahara Yojana: ALIMCO scaling; PM Divyasha Kendras; Assistive Technology Marts

### Mental Health & Trauma Care

NIMHANS-2; upgraded institutes (Ranchi, Tezpur); 50% capacity increase in District Hospital Emergency & Trauma Centers.

### Regional Focus

- **Purvodaya:** East Coast Industrial Corridor (Durgapur node); 5 tourism destinations; 4,000 e-buses
- **North-East:** Buddhist Circuit development (6 states): temple/monastery preservation, connectivity



## FINANCIAL SECTOR REFORMS

### Institutional Initiatives:

- High-Level Committee on Banking for Viksit Bharat alignment
- NBFC Restructuring: PFC and REC as initial step
- FEMA Review: Contemporary foreign investment framework
- Corporate Bond Market: Market-making framework, derivatives, total return swaps
- Municipal Bonds: ₹100 crore incentive for >₹1,000 crore issuances
- PROI Investment: Individual limit 5%→10%; overall 10%→24%

### Technology as Force Multiplier

#### Existing:

AI Mission, Quantum Mission, Anusandhan Fund, R&D Fund

#### New Applications:

- Bharat-VISTAAR (agriculture)
- National Digital Knowledge Grid (tourism)
- Customs Integrated System (2-year rollout)
- AI-enabled job-worker-training matching

# Budget Overview

## 16th Finance Commission

Accepted Recommendations:

- Vertical Devolution: 41% retained
- FY 2026-27 State Grants: ₹1.4 lakh crore (Rural/Urban Local Bodies, Disaster Management)

## CONCLUSION

Budget 2026-27 represents fiscal policy maturation—from stimulus to structural transformation. Success depends on execution velocity in complex domains: biopharma clusters, City Economic Regions, 350+ reform coordination.

The 4.3% deficit path and ₹12.2 lakh crore capex provide macroeconomic stability for navigating global uncertainties while advancing toward Viksit Bharat. The budget offers professional stakeholders a predictable environment with coherent medium-term objectives—essential for strategic capital allocation and advisory positioning.

Note:

Detailed tax proposals, sectoral implications, and compliance requirements are analyzed in subsequent sections of this publication.



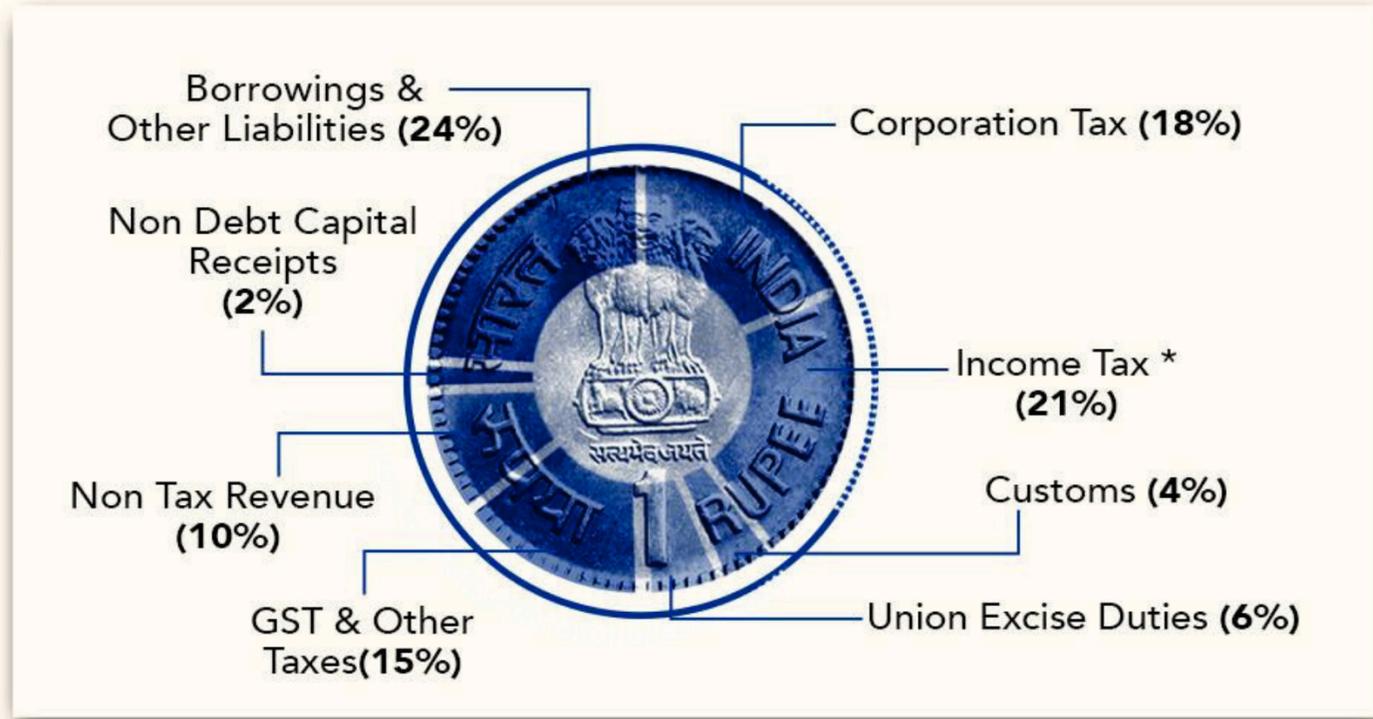
# Rupee **Movement**

Rupee Comes From  
Rupee Goes To

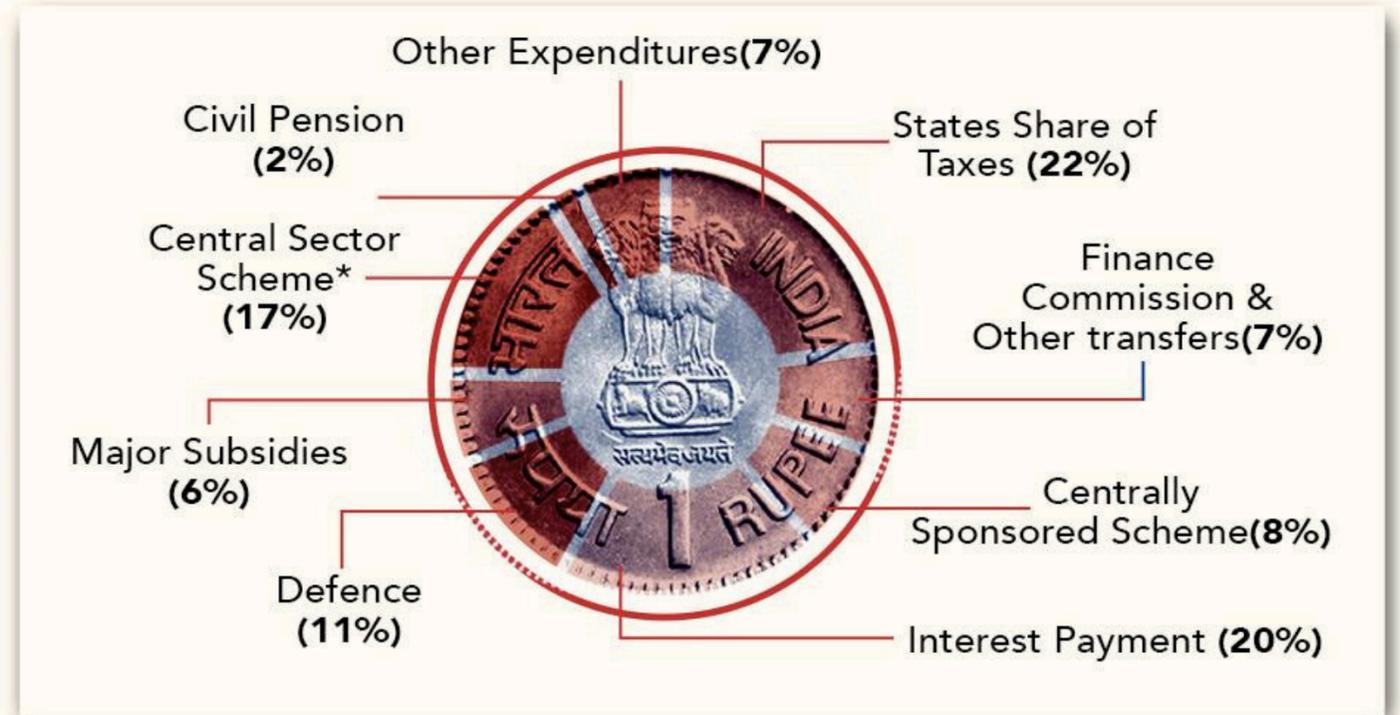


# Rupee Movement

RUPEE COMES FROM



RUPEE GOES TO



# Sector wise **Analysis**

Finance & Banking

Infrastructure & Urban Development

Education

Health

Agriculture & Rural Economy

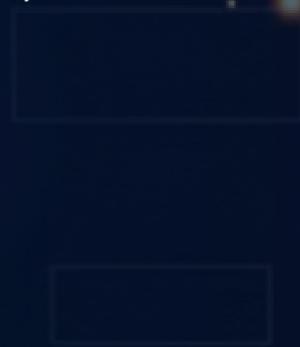
Manufacturing & Services

Transportation, Logistics & Connectivity

Textile

Tourism

MSMEs



# Sector wise Analysis

## 1. FINANCE & BANKING

- High-Level Committee on Banking for Viksit Bharat: Comprehensive review of banking reforms aligned with future growth.
- NBFC Reforms: Restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC).
- Corporate Bond Market Development:
  - a. Market-making framework
  - b. Introduction of total return swaps on corporate bonds
- Municipal Bonds Incentive: ₹100 crore incentive for bond issues exceeding ₹1,000 crore.
- FEMA (Non-Debt Instruments) Review: Simplification to attract long-term foreign investment.
- Ease of Investment: Higher investment limits for Persons Resident Outside India (PROI).
- STT on derivatives has been increased: options from 0.10%/0.125% to 0.15%, and futures from 0.02% to 0.05%, raising trading costs.
- Black Money Act will not apply to foreign movable assets up to ₹20 lakh, providing relief for small-value disclosures

## 2. INFRASTRUCTURE & URBAN DEVELOPMENT

- REIT-led Asset Monetisation: Accelerated monetisation of CPSE real estate assets through dedicated REITs.
- Infrastructure Risk Guarantee Fund: Partial credit guarantees for lenders to de-risk infrastructure and real estate projects during construction.
- City Economic Regions (CERs): ₹5,000 crore per CER over 5 years for Tier-II, Tier-III cities and temple towns.
- Public Capex Increase: Capital expenditure raised to ₹12.2 lakh crore, indirectly boosting real estate demand.



## 3. EDUCATION

- Industrial And Logistic Corridors-5 University Townships will be created in the vicinity of major industrial and logistic corridors which will host multiple universities, colleges, research institutions, skill centres and residential complexes.
- Higher Education STEM institutions -1 girls' hostel will be established in every district.
- Astrophysics and Astronomy -To promote Astrophysics and Astronomy via immersive experiences, 4 Telescope Infrastructure facilities will be set up or upgraded.

## 4. HEALTH

- Allied Health Professionals (AHPs) - Existing institutions for AHPs will be upgraded and new AHP Institutions will be established in private and Government sectors.
- Care Ecosystem - A strong Care Ecosystem, covering geriatric and allied care services will be built. 1.5 lakh caregivers will be given training under NSQF-aligned programmes.
- Regional Medical Hubs - A Scheme to support States in establishing 5 Regional Medical Hubs will be launched, which will provide diverse job opportunities for health professionals including doctors and AHPs.
- AYUSH- 3 new All India Institutes of Ayurveda will be set up; AYUSH pharmacies and Drug Testing Labs will be upgraded; the WHO Global Traditional Medicine Centre in Jamnagar will be upgraded.
- Animal Husbandry - To scale up availability of veterinary professionals, a loan-linked capital subsidy support scheme will be rolled out for establishment of veterinary and paravet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.



# Sector wise Analysis

## 5. AGRICULTURE & RURAL ECONOMY

- High Value Agriculture Push: Dedicated support for coconut, cocoa, cashew, sandalwood, nuts (almonds, walnuts, pine nuts), and agarwood to enhance farmer incomes.
- Coconut Promotion Scheme: Replacement of old, low-yield trees and productivity enhancement in major coconut-growing states.
- Cashew & Cocoa Programme: Aimed at making India self-reliant and building global premium brands by 2030.
- Fisheries Development: Integrated development of 500 reservoirs and Amrit Sarovars; strengthened coastal fisheries value chains.
- Bharat-VISTAAR (AI in Agriculture): A multilingual AI platform integrating AgriStack and ICAR data to provide customized advisory services to farmers.
- Women-Led Rural Enterprises: Introduction of SHE-Marts to promote rural women entrepreneurship and market access.



## 6. MANUFACTURING & SERVICES

- **Biopharma SHAKTI**- There will be an outlay of ₹ 10,000 crores over the next 5 years, for domestic production of biologics and biosimilars, the strategy will include a biopharma focused network with three new national institutes of pharmaceutical education and research, popularly known as NIPERS, and upgrading seven existing ones. It will also create a network of 1,000 accredited India clinical trials sites.
- **The Electronics Components Manufacturing Scheme** - The outlay for The Electronics Components Manufacturing Scheme will be increased to ₹40,000 crore to capitalise on the momentum.
- **Rare Earth Corridors** - A dedicated Rare Earth Corridors will be established to promote mining, processing, research and manufacturing.
- **Domestic Chemical Industry**- To enhance domestic chemical production and reduce import dependency, a Scheme will be launched to support States in establishing 3 dedicated Chemical Parks.
- **High-Powered 'Education to Employment and Enterprise' Standing Committee** - Set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat.
- **Semiconductor Sector** - ISM 2.0 will be launched to produce equipment and materials, design full stack, Indian IP and fortify supply chains for India's semiconductor sector capabilities.

## 7. TRANSPORTATION, LOGISTICS & CONNECTIVITY

- Dedicated Freight Corridor (East-West): Dankuni to Surat for sustainable cargo movement.
- National Waterways Expansion: 20 new waterways over 5 years; NW-5 connecting mineral and industrial belts to ports.
- Coastal Cargo Promotion Scheme: Target to increase waterways & coastal shipping share from 6% to 12% by 2047.
- High-Speed Rail Corridors: 7 new city-to-city corridors as economic growth connectors.
- Seaplane VGF Scheme: Incentives for seaplane manufacturing and regional connectivity.
- Ship Repair Ecosystem: Inland ship repair hubs at Varanasi and Patna.



# Sector wise Analysis

## 8. TEXTILE

- The Labour-Intensive Textile Sector – For the labour-intensive textile sector, an integrated programme with five sub-parts will be launched viz. The National Fibre Scheme, Textile Expansion and Employment Scheme, A National Handloom and Handicraft programme, Tex-Eco Initiative, Samarth 2.0.
- Mega Textile Parks – These will be set up in order to bringing value addition to technical textiles.
- The Mahatma Gandhi Gram Swaraj initiative – It will be launched to strengthen khadi, handloom and handicrafts.
- Sports Goods – Initiative will be made for sports goods, that will promote manufacturing, research and innovation in equipment design as well as material sciences.

## 9. TOURISM

- A National Institute of Hospitality – It will be set up, to function as a bridge between academia, industry and the Government.
- Pilot scheme – This scheme will be launched for upskilling 10,000 guides in collaboration with an Indian Institute of Management.
- National Destination Digital Knowledge Grid – This will be established to digitally document all places of significance –cultural, spiritual and heritage.
- Heritage and Culture Tourism – To encourage Heritage and Culture Tourism, 15 archaeological sites will be developed into vibrant, experiential cultural destinations.

## 10. MSME

- Three pronged approach will be followed to help MSMEs to grow as ‘Champions’:
- Equity Support by introducing ₹10,000 crore SME Growth Fund,
- Liquidity Support by propose 4 measures: (i) mandate TReDS as the transaction settlement platform for all purchases from MSMEs ; (ii) introduce a credit guarantee support mechanism through CGTMSE; (iii) link GeM with TReDS for sharing information with financiers about government purchases from MSMEs; (iv) introduce TReDS receivables as asset-backed securities.
- Professional Support by facilitating Professional Institutions in Tier-II and Tier-III towns.



# Direct Tax **Proposal**

A. Income-tax Act, 1961 (Applicable up to 31<sup>st</sup> March 2026)

B. Income-tax Act, 2025 (Applicable from 1<sup>st</sup> April 2026)



# Direct Tax

## A. INCOME-TAX ACT, 1961 (APPLICABLE UP TO 31<sup>ST</sup> MARCH 2026)

Inserted sub-section (3AA) in section 92CA to statutorily prescribe the manner of computing the sixty-day period for passing Transfer Pricing Officer orders, retrospectively from 1 June 2007.

### COMPARISON OF EXISTING AND REVISED ITR DUE DATES

CATEGORY OF TAXPAYER	EXISTING DUE DATE	REVISED DUE DATE
Business / Profession (No Audit Required)	31st July	31st August (New)
Salaried / Other Individuals	31st July	31st July (No change)
Audit Cases (Non-Transfer Pricing)	31st October	31st October (No change)
Transfer Pricing Cases (Section 92E)	30th November	30th November (No change)

- Extends the time limit for filing a revised return up to the end of the assessment year, subject to section 234-I, (interest / consequences, if applicable)
- Allow filing an updated return to reduce losses or respond to a notice under Section 148, within the given time, and can't file again for the same notice.

These amendments will take effect retrospectively from 1st March, 2026.

- Inserted Sub-section (3A) of Section 140B: Filing an updated return in response to a Section 148 notice attracts an additional 10% tax, effective retrospectively from 1 March 2026.
- Amendments in Section 144C, clarify the timelines for Assessing Officers (AO) to complete assessments and pass final orders after DRP directions. New sub-sections (4A), (4B), (13A), and (13B) specify that AO's time under sub-sections (3) and (13) is governed by the relevant provisions, removing ambiguity where draft orders are forwarded within the time allowed under sections 153/153B.
- Inserted Section 147A: Clarifies that notices under Sections 148 & 148A must be issued by an Assessing Officer (AO) other than the National Faceless Assessment Centre; effective retrospectively from 1 April 2021.
- Inserted Section 153(10): Clarifies that the draft assessment order under Section 144C(1) can be issued anytime within the existing assessment/reassessment/recomputation period.
- Inserted Section 153B(1A): Clarifies that the draft assessment order under Section 144C(1) can be issued anytime up to the assessment/reassessment/recomputation deadline under section 153B
- Amendments in Section 220(2), Interest on penalty demand under Section 270A to be charged only after ITAT or CIT(A) order.
- Section 234-I introduces a late fee for revised returns filed after 9 months-RS. 5,000 if income exceeds RS. 5 lakh, and RS. 1,000 if income is up to RS. 5 lakh.
- Section 245MA amended to empower the Dispute Resolution Committee to waive penalties for under-reporting of income under Section 270A, with retrospective effect from 1 March 2026.
- A new sub-section (11A) clarifies that income on which additional income-tax is paid under section 140B(3A) will not be considered for levy of penalty. This removes ambiguity and prevents unnecessary penalty proceedings.
- Earlier, immunity under section 270AA was available only in limited cases and not where misreporting of income was involved. The proposed provision allows immunity from penalty and prosecution even in such cases, subject to timely payment of tax, interest, and additional income-tax equal to 100% of tax on under-reported income, and non-filing of appeal.

# Direct Tax

## A. INCOME-TAX UNDER THE INCOME-TAX ACT, 1961 (EFFECTED UP TO 31<sup>ST</sup> MARCH 2026)

- Section 274 requires that a show cause notice be given before imposing any penalty. From 1 April 2027, penalty under section 270A will be included in the assessment or reassessment order itself. Approval of the Joint Commissioner for assessment/reassessment will also cover the penalty, simplifying the process.
- section 275A is changed to **“Contravention of order made during search action”**. The punishment is now simple imprisonment up to two years with fine, instead of rigorous imprisonment. This makes the provision clearer and reduces the severity of the penalty.
- Section 275B is changed to “Failure to afford facility for inspection of books of account during search”. The punishment is now simple imprisonment up to six months, or fine, or both, instead of rigorous imprisonment for two years.
- Section 276 is changed allows simple imprisonment up to two years with fine instead of rigorous imprisonment.
- Section 277 imposed rigorous imprisonment and fine for false statements or accounts. it prescribes simple imprisonment (2 years/6 months) or fine based on the tax amount, reducing severity.
- Section 277A replaces rigorous imprisonment (3 months–2 years) with fine by simple imprisonment up to 2 years with fine

- Section 278 earlier imposed rigorous imprisonment up to 2 years and fine for false declarations or tax evasion. It is now amended to simple imprisonment (up to 2 years or 6 months) or fine, based on the amount involved (>₹50 lakh, ₹10–50 lakh, or lower).
- Section 278A earlier prescribed rigorous imprisonment up to seven years. It is now amended to simple imprisonment up to three years.
- Section 280 prescribed imprisonment up to 6 months and a fine. The amendment reduces it to simple imprisonment up to 1 month, or fine, or both, lowering the severity of punishment.
- Earlier, assessments faced litigation risk due to errors in quoting DIN. The new section 292BA clarifies that such technical defects will not invalidate assessments if the order is otherwise referenced by the computer-generated DIN.



### KEY AMENDMENTS

#### Section 276B

Simple imprisonment: up to 2 years (>₹50L), 6 months (₹10–50L), or fine; exemption if tax paid on time.

#### Section 276BB

Simple imprisonment: up to 2 years (>₹50L), 6 months (₹10–50L), or fine; exemption if paid before filing TCS statement.

#### Section 276C

Simple imprisonment: up to 2 years (>₹50L), 6 months (₹10–50L), or fine; includes false entries, omissions, or other evasive acts.

#### Section 276CC

Simple imprisonment: up to 2 years (>₹50L), 6 months (₹10–50L), or fine; exemptions for timely filing or tax ≤ ₹10,000.

#### Section 276CCC

Simple imprisonment: up to 2 years (>₹50L), 6 months (₹10–50L), or fine; exemptions for certain searches

#### Section 276D

Simple imprisonment up to 6 months, or fine, or both.

# Direct Tax

## B. INCOME-TAX ACT, 2025 (APPLICABLE FROM 1<sup>ST</sup> APRIL 2026)

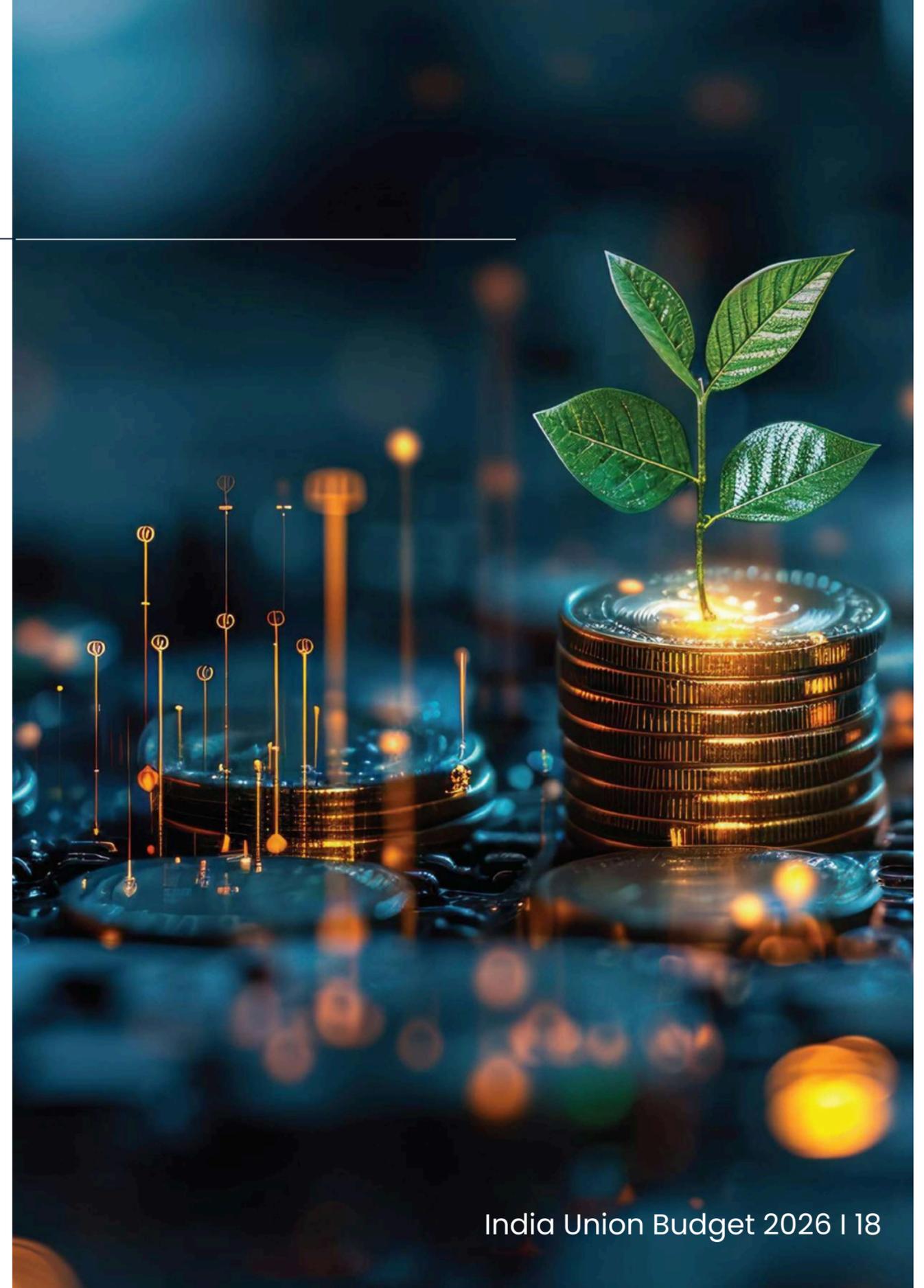
The New Income-tax Act, 2025 modernizes the tax framework by simplifying structure, aligning procedures, and reducing interpretational disputes across assessments, MAT, deductions and timelines. It focuses on clearer rules and sector-specific policy adjustments rather than broad rate changes, making compliance more predictable and streamlined.

At the same time, the Act strongly tightens enforcement through daily late fees, higher penalties, integrated penalty-assessment mechanisms and graded criminal consequences for serious defaults. Along with this tougher compliance regime, structured settlement and immunity provisions encourage voluntary disclosures and faster dispute closure.

Given the scale and significance of this legislative shift, a separate, dedicated analysis of the Income-tax Act, 2025 is essential to do justice to its scope, structure, and transitional implications. Accordingly, we prepared a standalone, detailed professional note analysing the new Act-covering conceptual changes, structural reorganisation, and practical considerations for businesses and individuals.

Readers may refer to our detailed analysis of the Income-tax Act, 2025 at:  
<https://ippcgroup.com/union-budget-2026/Income-tax-Act-2025/>

Click Here



# Indirect Tax Proposal

Custom Act, 1962

Goods and Services Tax, 2017



# Indirect Tax

## CUSTOM ACT, 1962

### KEY AMENDMENTS

- Government is legally extending Customs control beyond territorial waters to unlock marine exports, allow duty-free fish catch and formally recognize high-seas fishing as export activity.
- As Inserted by the Finance Act, 2026, An Indian fishing vessel is a fishing boat registered in India and operating under the Indian flag
- Once a Customs duty dispute is settled, all related penalties and proceedings will also stand closed, giving businesses complete and final resolution.
- Advance rulings will now remain valid for five years, giving businesses longer tax certainty on classification and duty positions.
- Movement of goods between Customs bonded warehouses has been simplified, reducing approvals and speeding up supply chains.
- Customs procedures now clearly define custody and handling of goods during inspection and clearance, reducing delays and responsibility disputes.
- Duty on personal baggage items rationalised to a uniform 10%, reducing import burden for individuals

### EXEMPTIONS

- Fish caught by Indian vessels in international waters will be duty-free in India and treated as exports when landed abroad, boosting marine exports and fishermen income.
- Customs duty has been reduced to Nil on several critical imports for clean energy, high-tech manufacturing and aviation, Essential medicines and drugs for rare diseases have also been made duty-free.

## GOODS AND SERVICES TAX, 2017

### KEY AMENDMENTS

- GST now allows post-sale discounts through credit notes with ITC reversal, aligning tax treatment with normal commercial practices.
- Ambiguity around credit notes is removed, as GST law now clearly permits credit notes for post-sale discounts and deficiencies, enabling proper tax adjustments without litigation.
- GST refund provisions have been liberalised, improving cash flow through faster and wider refund eligibility, including for inverted duty structures and exports.
- GST refund provisions have been liberalised, improving cash flow through faster and wider refund eligibility, including for inverted duty structures and exports.
- A temporary GST appellate mechanism is introduced to resolve conflicting advance rulings until the National Tribunal is constituted.
- Intermediary services will now be treated as exports when provided to foreign clients, removing GST burden and long-standing disputes.





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[maneet@capasricha.com](mailto:maneet@capasricha.com) [www.ippcgroup.com](http://www.ippcgroup.com)

