



RAMA'S Highlights on UNION BUDGET 2026-27

Yuva Shakti Budget 2026

Introduction

“Yuva Shakti” Driven Budget

The **Union Budget 2026-27** reinforces India's journey towards **Viksit Bharat**, striking a deliberate balance between ambition and inclusion. The Budget is anchored around three “**Kartavyas**”, ensuring growth that is continuous, adaptive and future-ready.

Accelerate Economic Growth



3 Kartavya's of the Budget

Sabka Saath, Sabka Vikas



Fulfil Aspirations of the People

First Kartavya - Accelerate Economic Growth

- Capex increased from ₹ 11.2 lakh crore to ₹ 12.2 lakh crore.
- ‘**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.
- Dedicated ₹ 10,000 crore SME Growth Fund to nurture future “**Champion SMEs**”.
- Government to facilitate Professional Institutions to develop ‘**Corporate Mitras**’ especially in Tier-II and Tier III towns, to help MSMEs meet compliance.
- Enhancing productivity and competitiveness.
- Building resilience to volatile Global conditions.

Introduction

Second Kartavya - Fulfil Aspirations of the People

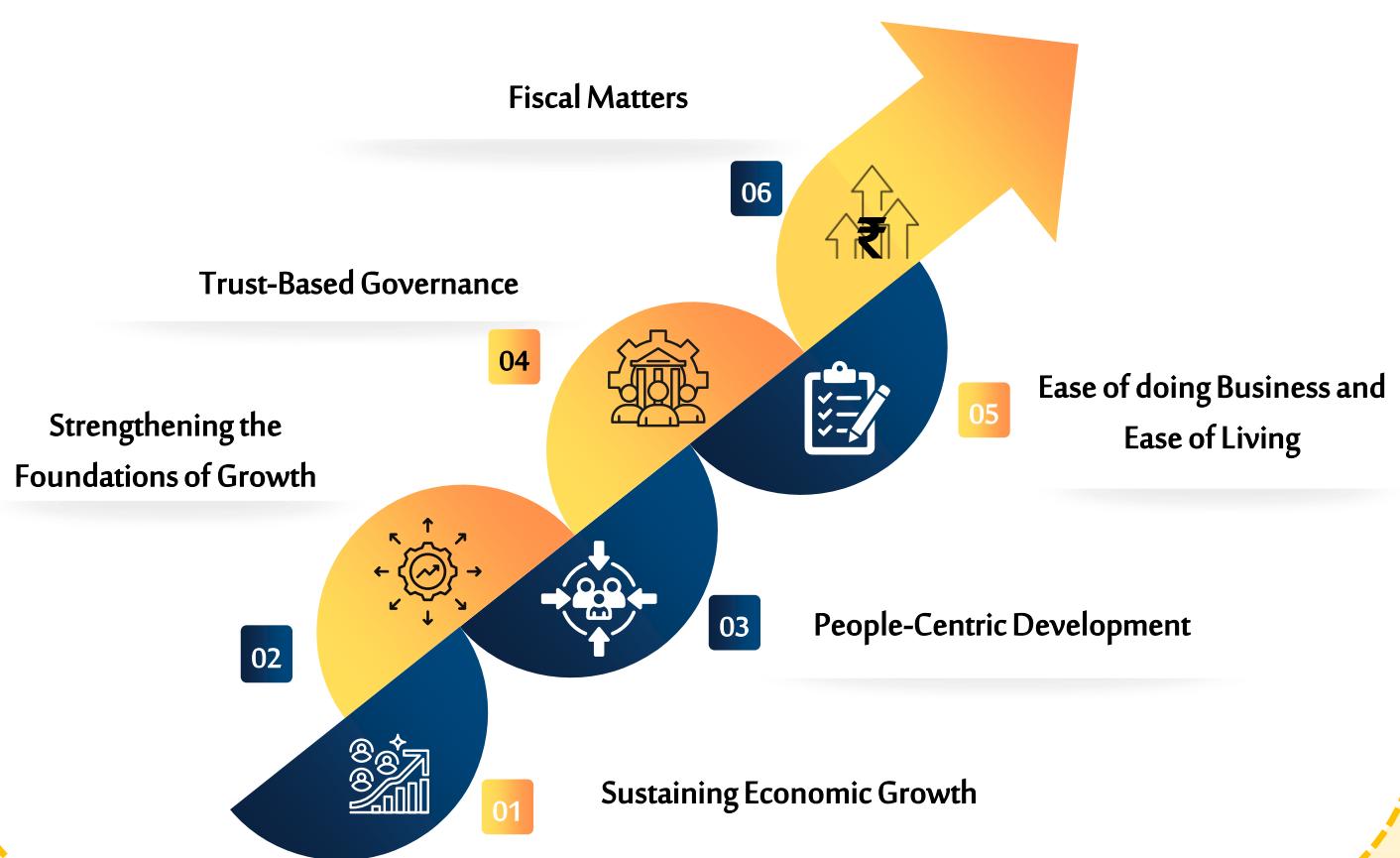
- To support to the IICT, Mumbai to set up AVGC (Animation, Visual Effects, Gaming and Comics) Content Creator Lab in 15,000 secondary schools and 500 colleges.
- Launch of '**Khelo India Mission**' to transform India's Sports Ecosystem.
- Creation of **5 University Townships** near major Industrial and Logistic Corridors.
- India to host the first ever **Global Big Cat Summit**.
- 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.

Third Kartavya - Sabka Saath, Sabka Vikas

- Increasing Farmers incomes through enhancing water resources and Rural assets, high value Agricultural push and Digital Agriculture.
- Focus on Purvodaya States and the North-Eastern Region.
- **SHE Marts:** Women SHGs to run community-owned retail stores.



Pillars of Growth and Development





Introduction of Income Tax Act 2025

Income Tax Act 2025 will come into effect from **01st April 2026 (FY 2026-27)** to replace the Income Tax Act 1961. The simplified Income Tax Rules and Forms will be notified shortly, giving adequate time to taxpayers to acquaint themselves with its requirements furthermore there will be no changes in the tax rates as such from existing Budget.

Rationalising due dates for filing of return of Income

Sr. No.	Category	Meaning	Payment
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Where Provisions of Transfer pricing apply*	30 th November
2.	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force; (iii) Partner of a firm whose accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse).	Where Provisions of Transfer pricing do not apply*	31 st October
3.	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse).	As above	31 st August
4.	Any other assessee	--	31 st July

* *Provisions of Transfer Pricing mentioned in the Section 172 of Income Tax Act 2025 which requires to Furnishing Accountants report.*



Revised Returns:

Timeline to file revised return is extended from 9 months earlier to 12 months now, from the end of financial year, with applicable fee.

Effective from 01st April 2026.

Updated Returns:

Currently updated returns are not allowed once assessment, reassessment, income escaping assessment or related proceedings are initiated. From now onwards, updated returns can be filed with additional fees of 10% of tax liability even after the notice of proceedings has been issued/initiated by the department.

Effective from Assessment year 2026-27

Income from House Property

- Annual value of property held as Stock in Trade to be treated as NIL upto 2 years from the end of financial year in which CC obtained from the competent authority.
- The ₹2 lakh limit on interest deduction for SOP (Self Occupied Property) will now explicitly include prior-period interest on borrowed capital. Thus, the ambiguity has been done away whether interest of prior period is allowed and deductible.
- *Effective from 01st April, 2026*



Profit and Gain from Business & Profession

1. The requirement for maintaining separate accounting under ICDS will be removed from Tax Year 2027–28 onwards.



Minimum Alternate Tax (MAT):

2. a. It is proposed to make MAT a final tax in the old regime with no further MAT credit allowed to be carry forward, however MAT credit to be allowed and to be carry forward in new tax regime.
b. MAT rate will be 14% instead of 15% with limited set-off.

Effective from 01st April 2026

3. To ensure uniformity in presumptive taxations of non-resident, operation of cruise ships and services/technology for setting up electronics manufacturing in India is proposed to be excluded from MAT

Effective from 01st April 2026



4. Tax Holiday for Data Centre Services – IT Infrastructure Business:

Foreign Companies are exempted from tax on income arising from procuring data centre services from specified Indian datacenters, subject to the condition that income from services provided to Indian users must be routed through an Indian reseller entity.

This measure aims to promote investment in Data Centres and AI infrastructure. This major will apply up to the tax year ending 31st March 2047.



5. Extension of Time Limit u/s 80-IAC for Startups:

It is proposed to extend the benefit provided under Section 80-IAC to startups for another period of five years, i.e. the benefit will be available to eligible startups to be incorporated before 01st April 2030.



Capital Gain

1. Requirement of TAN is no longer for deducting TDS on sale of property to Non-Resident:

Section 397(1)(c) is proposed to be amended to exempt resident individuals and HUFs from obtaining TAN when buying immovable property from non-residents.

Effective from 01st October 2026.

2. Exemption on income from compulsory acquisition of any land under the RFCTLARR Act:

(RFCTLARR- Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013)

Income from awards or agreements under the RFCTLARR Act, is now exempt from tax under Income Tax Act except few cases mentioned in the section 46 of the Income Tax act 2025. This aligns the Income-tax Act with the RFCTLARR Act and removes ambiguity.

Effective from 01st April 2026.





3. Taxation of Buyback of Shares:

Consideration received on share buy-back will be taxed under Capital Gains instead of dividend income – under IFOS, an effective tax rate of 30% (individuals) and 22% (promoter companies) is proposed.

Effective from 01st April 2026.



4. Increase in Tax Rates of STT:

Transaction Type	Existing STT Rate	Proposed STT Rate	Effective Date
Sale of an Option in Securities	0.10% of option premium	0.15% of option premium	Effective from 01 st April 2026
Sale of an exercised Option	0.125% of intrinsic value	0.15% of intrinsic value	
Sale of a Future in Securities	0.02% of traded price	0.05% of traded price	

Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026)

Category	Meaning	Payment
Category A – Undisclosed overseas assets or income.	Applies where foreign assets and income were not disclosed where the value in aggregate does not exceed ₹ 1 crore.	30% tax on FMV of foreign assets Whereas in the case of foreign incomes 30% tax. And Additional Tax of 30% in either of cases.
Category B - Assets declared but not disclosed in the return	Cases where foreign assets located outside India was declared but not disclosed in the returns and value of such assets does not exceed ₹ 5 Crore; for example, a foreign property was purchased by the assessee when he became resident at that time not disclosed in the returns.	Fees of ₹ 1 Lakh.



IFOS - Income from Other Sources:

Currently, interest expenditure for earning dividend or mutual fund income is deductible up to 20% of such income. It is proposed to disallow any deduction against these incomes, treating them as purely passive income.

Effective from 01st April 2026.



Amendments in TCS Rates Proposed in Budget 2026-27

Nature of Receipt	Current Rate	Proposed Rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal/lignite/iron ore)	1%	2%
Remittance under Liberalised Remittance Scheme (LRS) exceeding ₹10 lakh	5% for education or medical treatment; 20% for other purposes	2% for education or medical treatment; 20% for other purposes
Sale of overseas tour programme package	5% up to ₹ 10 lakh; 20% exceeding ₹ 10 lakh	2% (threshold limit removed)

The reduction would ease financial planning for families managing substantial overseas expenses.





Rationalisation of Penalties Under Audit Cases and Transfer Pricing Provisions

Requirement	Existing (Income Tax Act, 1961)	Proposed (Income Tax Act, 2025)
Failure to get accounts audited / furnish audit report	<p>Penalty = lower of:</p> <ul style="list-style-type: none"> • 0.5% of total sales/turnover/gross receipts • ₹ 1,50,000 	<p>Fee instead of penalty:</p> <ul style="list-style-type: none"> • ₹ 75,000 / ₹ 1,50,000 graded fee depending on period of delay (e.g., shorter vs longer delay).
Non-furnishing of Transfer Pricing Audit report (report under Section 172/92E)	Penalty ₹ 1,00,000 (as per existing provisions)	<p>Fee instead of penalty:</p> <ul style="list-style-type: none"> • ₹ 50,000 / ₹ 1,00,000 graded fee depending on period of delay.
Default in furnishing statement of Financial Transactions / Reportable accounts	Penalty of ₹ 500 per day of default (initial period) and ₹ 1,000 per day after notice period, no cap in many cases	<p>Fee instead of penalty:</p> <ul style="list-style-type: none"> • Converted to an administrative fee (period-based) under proposed section; • A cap of ₹ 1,00,000 imposed for continuing default.



GST: Key Changes

Intermediary Services – Change in Place of Supply

Clause (b) of sub-section (8) of Section 13 of the Integrated Goods and Services Tax Act, 2017, relating to intermediary services, is proposed to be omitted.

Consequently, the place of supply of intermediary services will be determined in accordance with the general provision under Section 13(2), i.e., the location of the recipient of services.



RAMA Says: With this proposed change, intermediary services provided by Indian suppliers to overseas recipients may qualify as export of services, subject to fulfilment of other prescribed conditions. This proposal is in line with the framework earlier envisaged under **GST 2.0**. On similar lines, the services provided by foreign intermediaries to recipient in India shall be treated as import of services and attract RCM provisions.

Post-sale Discounts – Amendments to Sections 15 and 34 of the CGST Act, 2017

In case of post-sale discounts, the requirement to substantiate that the discount is provided in terms of an agreement entered into / pre-agreed at or before the time of supply and credit notes are linked to a specific invoice is proposed to be omitted. Discount is proposed to be allowed as a deduction if a **GST credit note is issued u/s 34 and corresponding input tax credit (ITC) is reversed by the recipient**.



RAMA Says: The proposed relaxation removes conditions requiring pre-agreed terms for discounts and mandatory linkage of credit notes with original invoices. This change is particularly beneficial for the Retail, FMCG, E-commerce and Pharma industries among others where promotional schemes are introduced periodically to boost sales. This amendment is expected to lead to the reduction in litigation.



Refunds under IDS: Amendment in Section 54(6) to allow provisional GST refund in respect of Inverted Duty Structure refund (IDS refund) similar to zero rated supply.

Section 54(6) is proposed to be amended to allow provisional sanction of 90% of the claimed GST refund for applications filed under Inverted Duty Structure, on similar lines to zero-rated supplies.



RAMA Says: The proposed amendment providing for provisional release of 90% of refunds under IDS will significantly improve taxpayers cash flows.

Amendment in Section 101A:

By the time, The National Appellate Authority is constituted, the Government may, on recommendation of council, can empower any existing authority (including Tribunal) to hear appeals made under section 101B, thereby easing the Appellate workload.



Customs: Key Changes

1. Validity of Customs Advance Rulings (Section 28J):

Validity of advance rulings is proposed to be extended from 3 to 5 years, subject to no change in law or underlying facts.



RAMA Says: The proposed extension to **five years** reduces the need for frequent re-applications; however, businesses must **monitor changes in law or facts**, as any change would impact the continued validity of the ruling.



2. Trade Facilitation Measure.

The Budget proposes the following measures:

- a. Trusted importers to receive risk-based facilitation with reduced cargo checks.
- b. Customs Integrated System to be rolled out within 2 years as a single, scalable digital platform.
- c. Phased expansion of **non-intrusive, AI-based container scanning** at major ports with the objective of scanning every container at major ports.
- d. The Customs warehousing framework will be transformed into a warehouse operator-centric system with self-declarations, electronic tracking and risk-based audit.



RAMA Says: The proposed measures reinforce a trust-based, digital customs framework enabling faster clearances, fewer inspections and lower compliance costs. Importers should strengthen data accuracy and internal controls to fully benefit from risk-based facilitation.

3. The Baggage Rules, 2016 to be superseded by Baggage Rules, 2026:

Under the proposed rules, a resident or tourist of Indian origin who has resided abroad for more than one year shall, upon return to India, be allowed duty-free clearance of jewellery up to forty grams for female passengers and up to twenty grams for other passengers.



**Please note that the above amendments shall come into effect upon notification by the government*



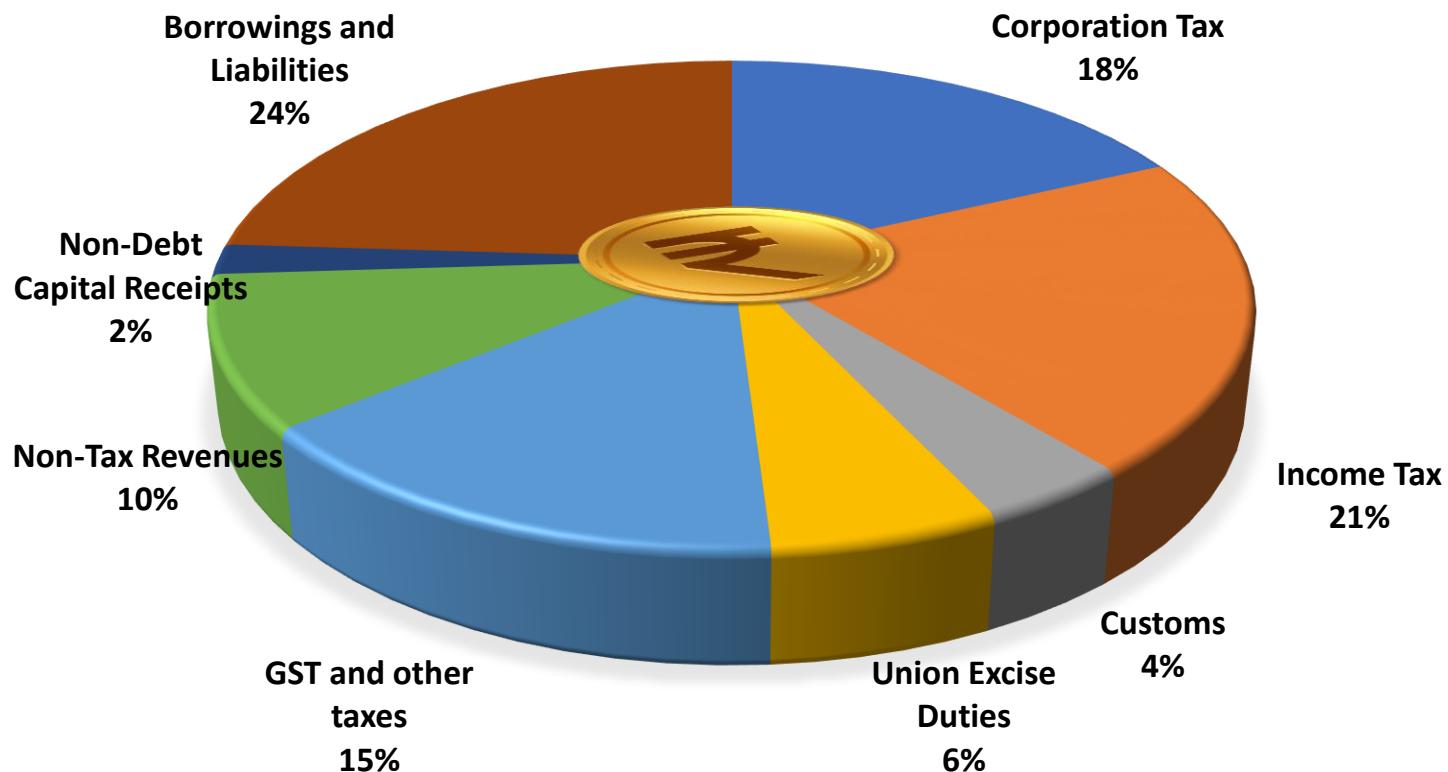
4. Industry Specific Measures / Updates:

Industry	Exemptions or Relaxations
 Energy Storage and Renewables	Extension of BCD exemption on capital goods used in the manufacturing of Lithium Cells for Battery Energy Storage Systems (BESS).
 Energy Storage System	BCD Exemption on Sodium Antimonate for Solar Glass manufacturing
 Nuclear Power	Exemption of Basic Customs Duty (BCD) extended to imports of goods for nuclear power projects till 2035
 Health care	Exemption on 17 drugs and 7 additional rare diseases related drugs
 Sea Food	Duty Free imports for processing inputs increased to 3% of PY FOB Export Turnover
 Personal Imports	Relaxation in duty from 20% to 10%

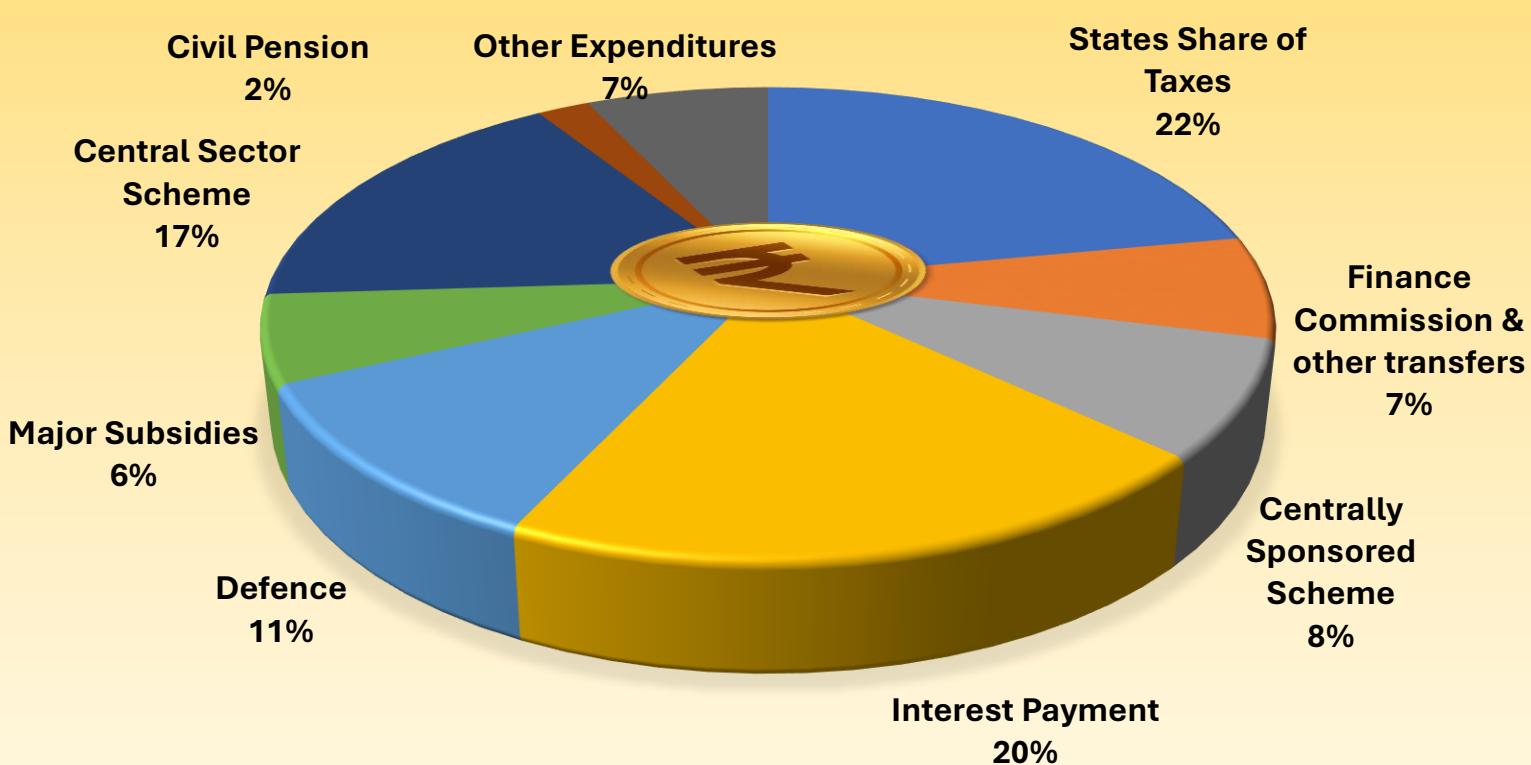
Rupee Comes From / Rupee Goes Out



Rupees Comes From



Rupees Goes Out



Expenditure of Major Items



in ₹ Crore

	Transport	₹ 5,98,520
	Defence	₹ 5,94,585
	Rural Development	₹ 2,73,108
	Home Affairs	₹ 2,55,234
	Agriculture and Allied Activities	₹ 1,62,671
	Education	₹ 1,39,289
	Energy	₹ 1,09,029
	Health	₹ 1,04,599
	Urban Development	₹ 85,522
	IT and Telecom	₹ 74,560
	Commerce and Industry	₹ 70,296
	Social Welfare	₹ 62,362
	Scientific Departments	₹ 55,756
	Tax Administration	₹ 45,500
	External Affairs	₹ 22,119
	Finance	₹ 20,649
	Development of North East	₹ 6,812

RAMA Group is a boutique management consulting firm that brings together **Chartered Accountancy** expertise and **IT Consulting** to deliver integrated financial, compliance, and technology solutions across Internal and Management Audits, Statutory Audits, Direct and Indirect Taxation, Risk Advisory, and Business Process Consulting, helping organizations strengthen governance and drive operational excellence.

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