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# **PART A**

# **STAKEHOLDER-WISE ANALYSIS**



# **Farmers & Fishermen**

## **Empowering the Backbone of India's Rural Economy**

*"If agriculture goes wrong, nothing else will have a chance to go right"*

### **Objectives**

To enhance income certainty, ease cash-flow pressures, and create a tax–trade ecosystem that reflects the operational realities of India's agricultural and marine sectors—ensuring that those who feed the nation are not burdened by avoidable fiscal frictions.

### **Key Policy Reforms**

#### **Strengthening Marine Trade Competitiveness**

- Fish caught in the Exclusive Economic Zone and high seas by Indian fishing vessels are treated as duty-free when brought into Indian ports and treated as exports when landed at foreign ports.
- Increase in value-limit of duty-free imports of specified inputs from 1% to 3% of the FOB value of seafood products exported during the preceding financial year.
- Tax Collection at Source for Tendu leaves reduced to 2%.



### **Expected Impact**

- Higher net realization for farmers and fisherman through tax savings.
- Stronger cooperative institutions fostering inclusive rural growth
- Fishermen benefit from clear provisions and efficient harvesting of fish resources.
- Enhanced export competitiveness and higher price realization of marine exports.

# Co-operatives

## Collective Strength, Shared Prosperity, Scalable Growth

*"Real progress lies in cooperative effort and collective responsibility."*

### Objectives

To strengthen cooperatives as inclusive economic institutions and eliminate tax inefficiencies that limit their capital efficiency, scale, and long-term sustainability.

### Key Policy Reforms

#### Expanded Incentives

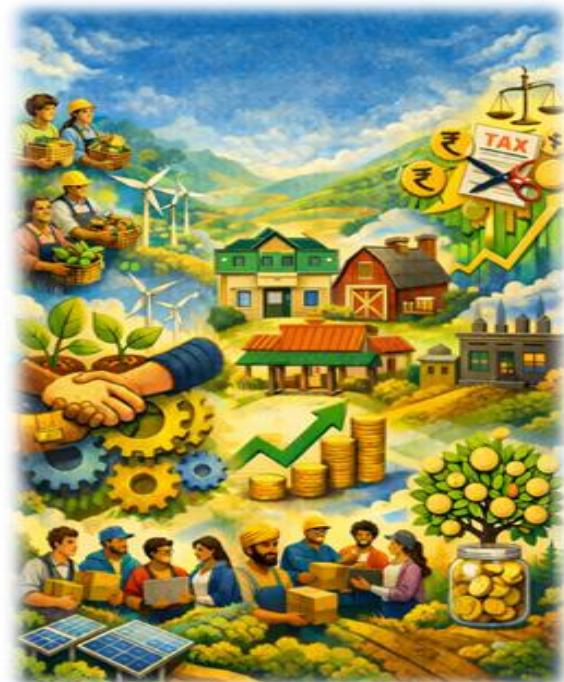
- Extend deduction already allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to those supplying cattle feed and cotton seed also.

#### Tax Neutrality for dividends distributed

- Allow the inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.

#### Preserving Legacy Investments

- Allow exemption for a period of three years to dividend income received by a notified national co-operative federation on their investments made in companies up to 31.1.2026. This exemption would be allowed only for dividends further distributed to its member co-operatives.



### Expected Impact

- Improved capital efficiency across cooperative networks.
- Stronger balance sheets and reinvestment capacity.
- Reduced tax distortions within cooperative structures.
- Scalable, professionally governed cooperative enterprises.

# Middle-Class Families Reducing Friction, Protecting Savings.

*"The strength of a nation lies in the prosperity of its families"*

## Objectives

To reduce compliance burdens, customs rate and process rationalisation, rationalise tax on overseas remittances, and protect long-term household savings while improving the overall taxpayer experience.

## Key Policy Reforms

### Passenger Facilitation

- Duty-free allowances have been revised and clarity provided to bring a new laptop alongwith personal effects.

### Convenient declaration for foreign passengers

- Online and App based facility for making declaration and duty payment.

### Facility while transferring residence from abroad

- Duty free entitlement revised to bring household article from abroad.

### Customs Rationalization / Exception

- A uniform customs duty for all personal imports, including gifts.
- Duty being exempt on critical and cost-intensive components of microwave ovens.
- Duty being exempt on 17 cancer drugs.
- Duty free personal imports of drugs/ medicines and food for 7 more rare diseases.

### TCS Rationalization

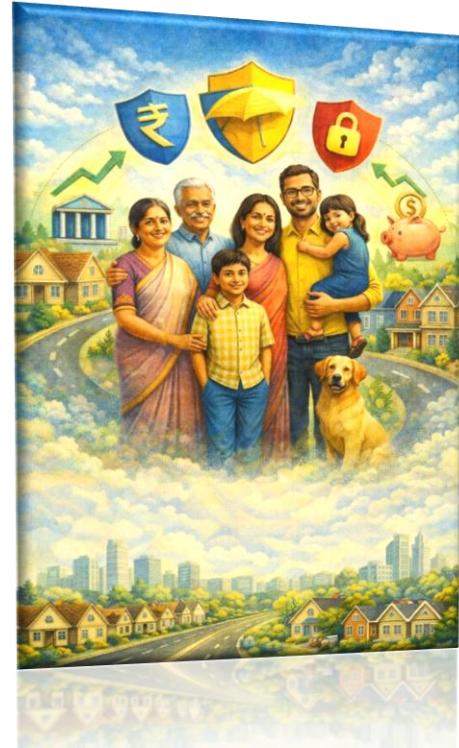
- Reduce TCS rate on sale of overseas tour program package to 2% (from current 5% & 20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittance for education and medical purposes.

### Dividend Deduction Ease

- Single window filing with depositories for Form 15G or Form 15H for TDS on dividends, interest etc.

### Foreign Asset Disclosure Scheme

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset



## Expected Impact

- Seamless customs process at the airport for International Passengers.
- Lower tax friction; reduce financial burden on patients.
- Cashflow issues of taxpayers remitting money abroad for education, medical and overseas tour packages.
- Ease of compliance for taxpayers.

# Indian Businesses (Corporates & MNCs) Facilitating Investment-Led Growth

*"Tax certainty and stability are essential for sustained investment and growth."*

## Objectives

To enhance tax certainty, reduce disputes, and align India's corporate tax and regulatory framework with global best practices, thereby strengthening investor confidence and long-term capital formation.

### Key Policy Reforms

#### Customs Process Reforms

- Deferred duty payment window for trusted entities.
- Automatic goods registration and clearance to trusted supply chain.
- Complete end to end automated clearance during exports for e-sealed cargo.
- Voluntary payments to be treated as a non-punitive charge instead of a penalty.
- Product specific tariff entries created for clarity and classification accuracy.
- Advance ruling validity increased to 5 years.
- Unified systems for trade to have single touch point interaction with PGAs.

#### Customs Duty Rationalisation / Exemption

- Exemption on parts, components and engines for manufacturing aircrafts.
- Exemption for goods for nuclear power projects.
- Exemption on capital goods for manufacture of lithium-ion cells for batteries of Battery Energy Storage Systems.

#### Tax certainty to IT/ITES Sector

- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.

#### Minimum Alternative Tax

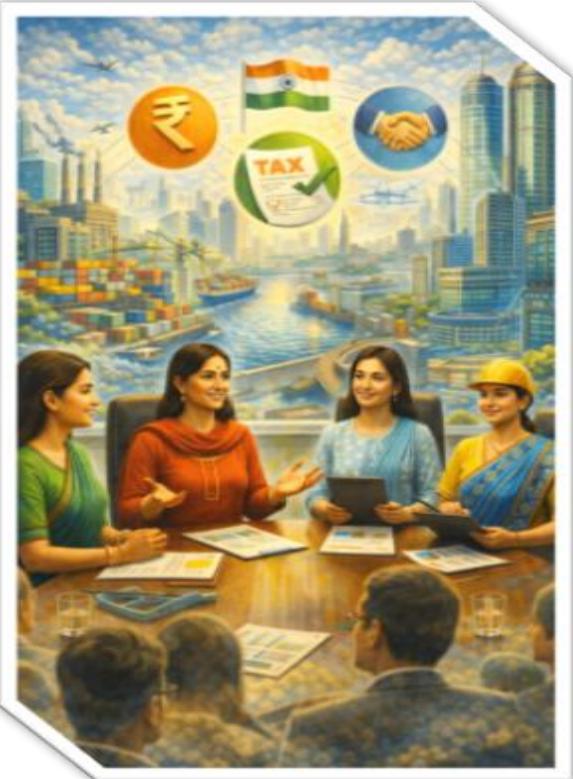
- Rationalisation of MAT regime for companies to facilitate migration to new tax regime.

#### Rationalisation of share Buy-back

- Taxation of buyback being aligned with capital gains regime alongwith differential rate for promoters.

#### Supporting critical mineral sector

- Expenditure incurred on exploration of critical minerals to be amortised over a period of five years



### Expected Impact

- Reduced litigation and compliance uncertainty.
- Predictable tax outcomes for large investors.
- Improved investment sentiment and capital inflows.
- Enhanced ease of doing business for large enterprises.

# Indian Businesses (MSMEs)

## Enabling small enterprise growth and resilience

*"Small enterprises are the backbone of employment and innovation."*

### Objectives

To lower compliance costs, simplify taxation, and reduce litigation exposure for MSMEs, enabling them to focus resources on growth, employment generation, and formalisation.

### Key Policy Reforms

#### Deferred duty

- Deferred duty payment window to trusted MSMEs.

#### System Driven Clearance

- Automatic goods registration and clearance to trusted supply chain.

#### Digital governance:

- Unified systems for trade to have single touch point interaction with PGAs

#### New tariff lines

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports by MSMEs.

#### Improving Liquidity for Small Taxpayers

- A lower deduction certificate scheme for small taxpayers including MSMEs.

#### Simplifying TDS for Labour-Intensive Sectors

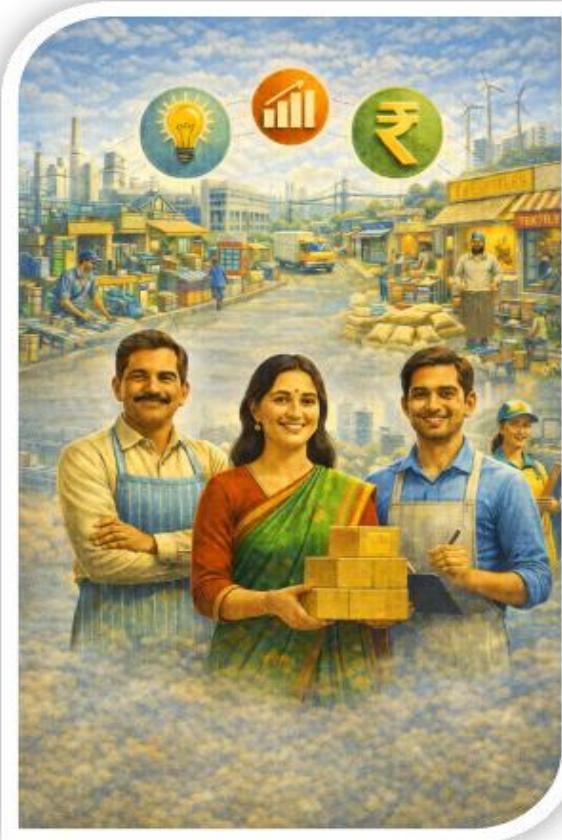
- Simplified TDS provisions for manpower supply will benefit labour-intensive MSMEs.

#### Reducing Penalty-Driven Disputes

- Conversion of penalties into fees for procedural defaults will reduce adversarial litigation and promote trust-based compliance.

#### Providing Time for Error Correction

- Extended timelines for revised and updated returns will allow MSMEs to correct errors without fear of penal consequences.



### Expected Impact

- Improved cash flows and liquidity.
- Reduced litigation exposure.
- Lower compliance costs.
- Higher formalisation among MSMEs.

# Non-Resident Multinational Corporations Integrating India into Global Value Chains

*"India must be a trusted and predictable partner in global commerce."*

## Objectives

To attract global investment while ensuring tax certainty and alignment with international norms, positioning India as a reliable destination for multinational operations.

### Key Policy Reforms

#### Tax certainty to IT/ITES Sector

- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.

#### Data Centre Incentives

- Tax holiday to any foreign company till 2047 who provides cloud services globally using data centre services in India.
- Safe harbour in case the resident company providing data centre services is a related entity.

#### Simplifying Taxation of Global Supply Chains

- Safe harbour to non-residents for component warehousing in a bonded warehouse with an effective tax of 0.7%. (lower than in competing jurisdictions).
- Exemption for five years to any non-resident who provides capital goods, equipment or tooling to any toll manufacturer in a bonded zone.

#### Leveraging IFSC as a Global Hub

- Profit linked deduction to IFSC units for approved business is extended to a period of 20 consecutive years out of 25 years.



## Expected Impact

- Reduced litigation and compliance uncertainty.
- Predictable tax outcomes for large investors.
- Improved investment sentiment and capital inflows.

# Non-Resident Indians (NRIs)

## Simplifying Cross-Border Engagement

*"India must remain emotionally and economically connected with its diaspora."*

### Objectives

To simplify cross-border personal, property, and investment-related transactions for Non-Resident Indians, while reducing compliance friction and improving tax certainty.

### Key Policy Reforms

#### Passenger Facilitation

- Duty-free allowances have been revised and clarity provided to bring a new laptop alongwith personal effects.

#### Convenient declaration for foreign passengers

- Online and App based facility for making declaration and duty payment.

#### Facility while transferring residence from abroad

- Duty free entitlement revised to bring household article from abroad.

#### Custom Rationalization

- A uniform customs duty for all personal imports, including gifts.

#### Simplifying Property-Related Compliance

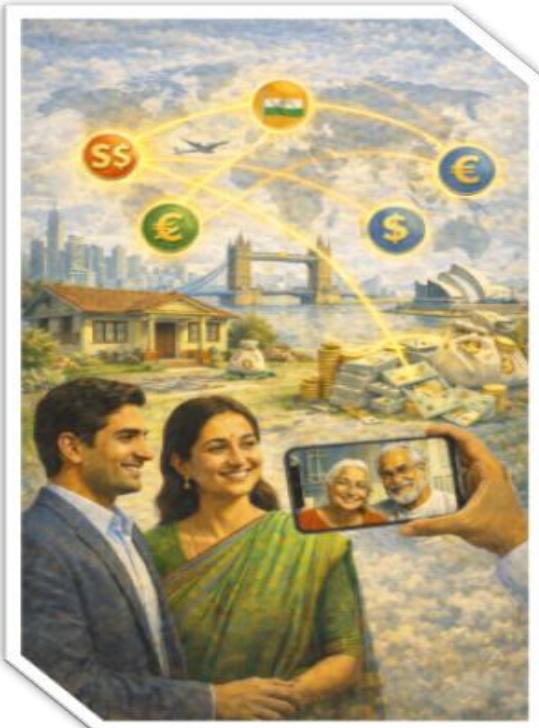
- TAN for property transactions involving NRIs will be replaced with resident buyer's PAN based challan

#### TCS Rationalization

- Reduce TCS rate on sale of overseas tour program package to 2% (from current 5% & 20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittance for education and medical.

#### Foreign Asset of Small Taxpayers Disclosure Scheme

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset



### Expected Impact:

- Greater compliance ease for NRIs.
- Reduced friction in cross-border transactions.
- Stronger engagement of the diaspora with the Indian economy.

## Students Making Education More Accessible

*"Education is the most powerful instrument of national development."*

### Objectives

To reduce the upfront financial burden associated with overseas education and improve access to education financing for students and families.

#### Key Policy Reforms

##### Rate Reforms

- A uniform customs duty is being made applicable for all personal imports, including gifts.
- Reduce the TCS rate under the liberalized remittance scheme for pursuing education and for medical purposes to 2% (from current 5%)

##### Foreign Asset of Small Taxpayers Disclosure Scheme

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.



### Expected Impact

- Lower upfront costs for students.
- Improved access to education financing.
- Reduced reliance on short-term borrowing.
- Faster clearance of imported parcels.

# Senior Citizens Dignity, Simplicity, and Income Security

*"The measure of a society is how it treats its elders."*

## Objectives

To simplify tax compliance for senior citizens and protect retirement savings by reducing procedural and administrative burdens.

### Key Policy Reforms

#### Customs Duty Reforms

- Customs duty is being exempted on 17 drugs/ medicines for treatment of cancer.
- Duty free personal imports of drugs/ medicines and food for 7 more rare diseases.

#### Lower Deduction Certificate

- Scheme for small taxpayers wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.

#### Dividend Deduction ease

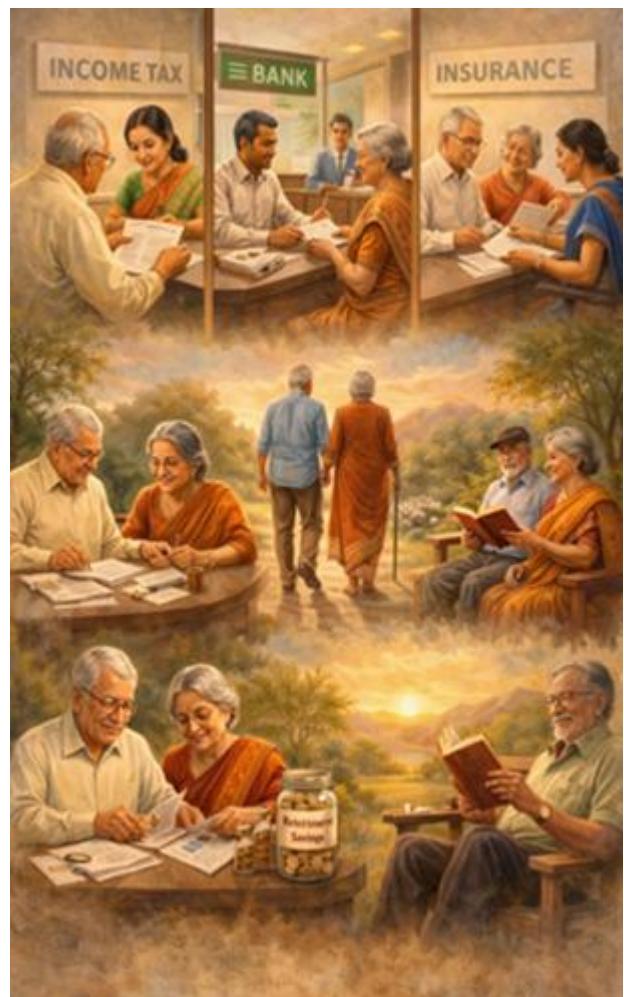
- Single window filing with depositories for Form 15G or Form 15H for TDS on dividends.

#### Foreign Asset of Small Taxpayers Disclosure Scheme

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.

#### Revised Returns

- Extend time available for revising returns from 31st December to up to 31st March with payment of a nominal fee.



## Expected Impact

- Lower compliance burden for senior citizens.
- Improved income security.
- Reduced dependence on intermediaries.
- Greater peace of mind for retirees.
- Increased accessibility to targeted treatment.

# Manufacturing Entities

## Strengthening Domestic Production and Competitiveness

*"India must build, innovate, and manufacture for the world."*

### Objectives

To support domestic manufacturing, reduce cost pressures, and improve integration with global supply chains while ensuring tax and regulatory clarity.

### Key Policy Reforms

#### Deferred duty

- Deferred duty payment window to trusted manufacturers.

#### System Driven Clearance

- Automatic goods registration and clearance to trusted supply chain.

#### Digital governance

- Unified systems for trade to have single touch point interaction with PGAs

#### New tariff lines

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports.

#### Other Customs process reforms

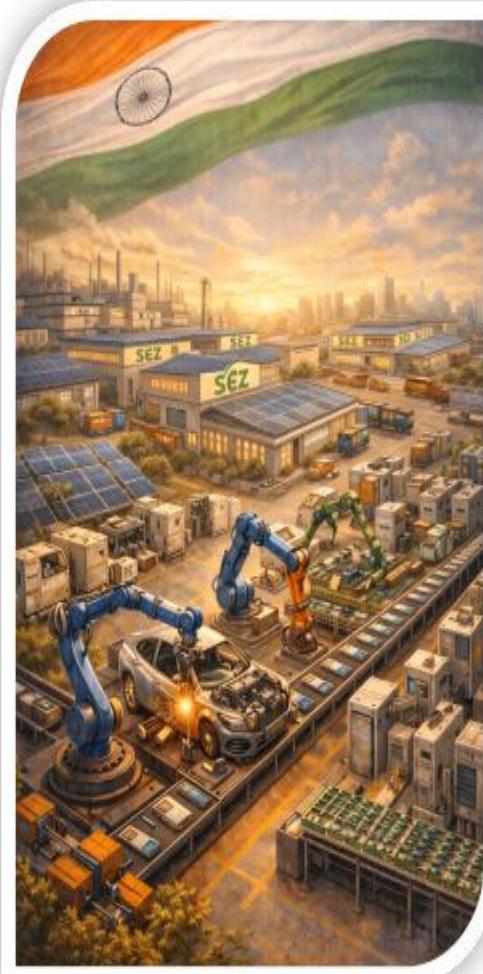
- Value removal in courier exports and easy seamless process for returns & rejects.
- The new framework enables manufacturers to move goods between warehouses and production locations through system-based intimations and digital records.

#### Customs duty Exemptions

- Parts, components and engines for manufacturing aircrafts.
- Goods for nuclear power projects.
- Capital goods for manufacture of lithium-ion cells for batteries of Battery Energy Storage Systems.
- Sodium antimonate imported for solar glass manufacture.
- Monazite which is a key raw material for high performance permanent magnets for EVs.
- Ferrous Scrap (extended 2 more years.)
- Raw materials for manufacture of parts for aircraft MRO operations by Defence PSUs.

#### Simplifying Taxation of Global Supply Chains

- Safe harbour to non-residents for component warehousing in a bonded warehouse with an effective tax of 0.7%.
- Exemption for five years to any non-resident who provides capital goods, equipment or tooling to any toll manufacturer in a bonded zone.



### Expected Impact:

- Lower manufacturing costs.
- Improved supply-chain efficiency.
- Enhanced global competitiveness.
- Accelerated growth in domestic manufacturing.

## Importers

### Streamlining Trade and Reducing Friction

*"Trade facilitation is essential for a competitive economy."*

#### Objectives

To streamline customs processes, reduce transaction costs, and enhance predictability for importers, thereby improving India's trade facilitation framework.

#### Key Policy Reforms

##### Deferred duty

- Deferred duty payment window to trusted manufacturers.

##### System Driven Clearance

- Automatic goods registration and clearance to trusted supply chain.

##### Digital governance

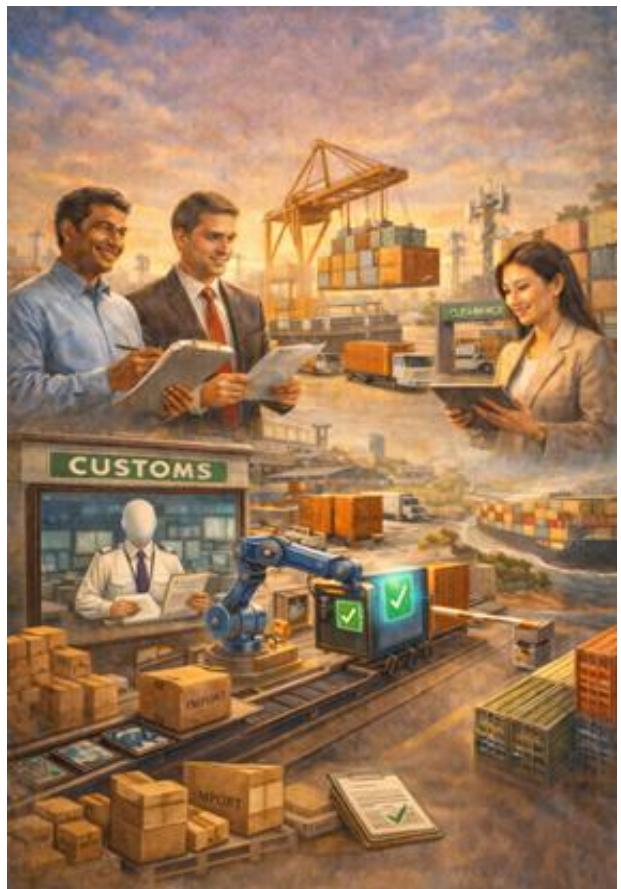
- Unified systems for trade to have single touch point interaction with PGAs.

##### New tariff lines

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports.

##### Other Customs process reforms

- The new framework enables manufacturer importer to move goods between warehouses and production locations through system-based intimations and digital records.
- The new framework enables manufacturer importer to move goods between warehouses and production locations through system-based intimations and digital records.



#### Expected Impact:

- Faster customs clearances.
- Reduced logistics and compliance costs.
- Improved liquidity for importers.
- Enhanced trade facilitation and predictability.

# Exporters

## Enhancing Competitiveness in Global Markets

*"Exports are not just trade; they are a measure of national competitiveness."*

### Objectives

To enhance export competitiveness, reduce turnaround times, and improve cash flows for exporters through tax certainty and procedural simplification.

### Key Policy Reforms

#### Customs process reforms

- Value removal in courier exports and easy seamless process for returns & rejects.
- Complete end to end automated clearance during exports for e-sealed cargo.

#### Fisheries

- Fish caught in the Exclusive Economic Zone and high seas by Indian fishing vessels are treated as duty-free when brought into Indian ports and treated as exports when landed at foreign ports.
- Increase in value-limit of duty-free imports of specified inputs from 1% to 3% of the FOB value of seafood products exported during the preceding financial year.

#### New tariff lines

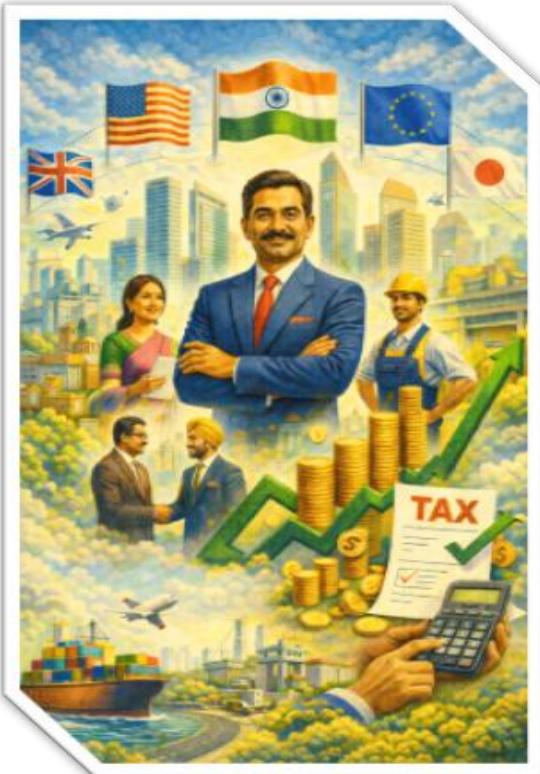
- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports.

#### Digital governance:

- Unified systems for trade to have single touch point interaction with PGAs.

#### Others

- Duty-free import of specified inputs is being allowed for exporters of shoe-uppers.
- Time period for export of final products using duty-free imported inputs is being extended from 6 months to 1 year for exporters in leather and textile sector.



### Expected Impact:

- Improved cash flows for exporters.
- Faster shipment and clearance times.
- Reduced tax and procedural uncertainty.
- Higher export competitiveness in global markets.

## Common Man Lowering Tax Burden and Make Life Easy

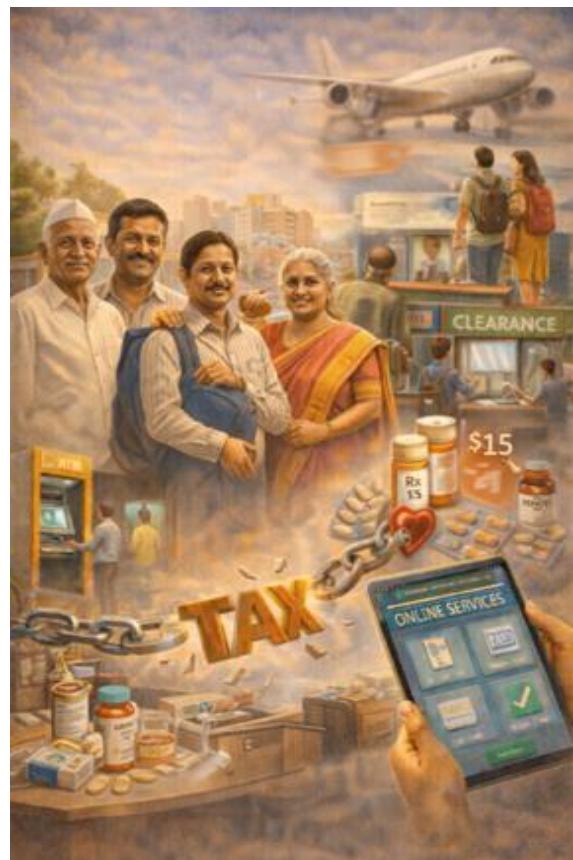
*"Good governance means making life easier for citizens."*

### Objectives

To ease the financial and compliance burden on the common man by rationalising indirect taxes, simplifying customs procedures, and reducing upfront cash outflows—thereby improving everyday welfare, healthcare access, and travel experience.

### Key Policy Reforms

- Customs duty is being exempted on critical and cost-intensive components used in the manufacture of microwave ovens.
- Reduce TCS rate on sale of overseas tour program package from current five percent and twenty percent to two percent without any stipulation of amount.
- Customs duty is being exempted on 17 drugs/ medicines for treatment of cancer.
- Duty free personal imports of drugs/ medicines and food for special medical purposes are being enabled for 7 more rare diseases.
- Reduce the TCS rate under the liberalized remittance scheme for pursuing education and for medical purposes to 2% (from 5%).
- Duty-free allowances have been revised for passenger facilitation.
- Online and App based facility for making declaration and duty payment to be provided for international passengers.



### Expected Impact

- Lower cost of living through reduced indirect tax incidence.
- Affordable healthcare with reduced treatment and compliance costs.
- Simpler and smoother travel with clearer rules and digital processes.
- Greater transparency and ease of compliance in indirect taxation.



**PART B**

**THEMATIC ANALYSIS**



# Make in India

## Building What the World Buys, from Indian Soil

*"A nation that makes for itself earns its place in the world."*

### Objectives

To strengthen domestic manufacturing, integrate global supply chains into India, and support logistics-led industrial growth.

### Key Policy Reforms

#### Customs process reforms

- Deferred duty payment window to trusted manufacturers.
- Automatic goods registration and clearance to trusted supply chain.
- Unified systems for trade to have single touch point interaction with PGAs.
- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports.
- The new framework enables manufacturers to move goods between warehouses and production locations through system-based intimations and digital records.

#### Customs duty Exemptions

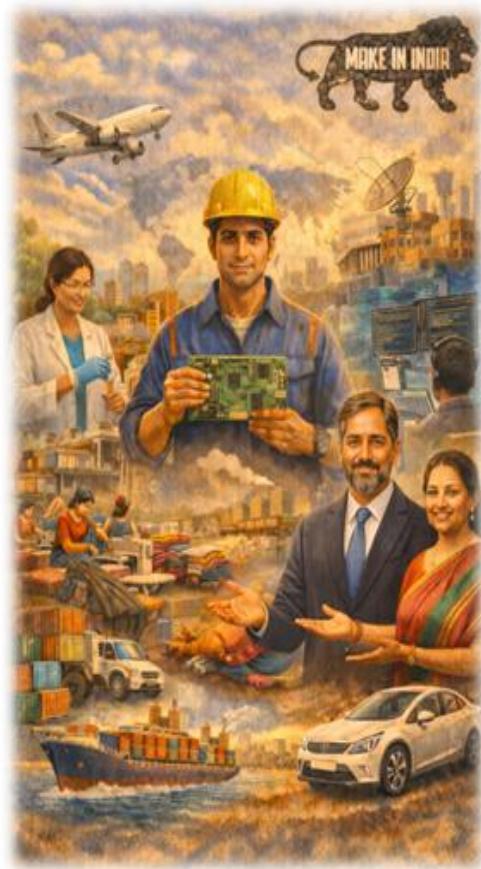
- Parts, components and engines for manufacturing aircrafts.
- Goods for nuclear power projects.
- Capital goods for manufacture of lithium-ion cells for batteries of Battery Energy Storage Systems.
- Sodium antimonate imported for solar glass manufacture.
- Monazite which is a key raw material for high performance permanent magnets for EVs.
- Ferrous Scrap (extended 2 more years.)
- Raw materials for manufacture of parts for aircraft MRO operations by Defence PSUs.

#### Simplifying Taxation of Global Supply Chains

- Safe harbour to non-residents for component warehousing in a bonded warehouse with an effective tax of 0.7%.
- Exemption for five years to any non-resident who provides capital goods, equipment or tooling to any toll manufacturer in a bonded zone.

#### Supporting Critical Minerals section

- Expenditure incurred on exploration of critical minerals is proposed to be allowed as expenditure and amortised over a period of five years.



### Expected Impact

- Improved manufacturing competitiveness.
- Reduced input costs.
- Stronger supply-chain localization.
- Increased investment in strategic sectors.

# Tax Certainty

## Predictability that Powers Investment Decisions

*"Certainty in rules creates confidence in action."*

### Objectives

To provide predictability, clarity, and stability in tax outcomes while reducing interpretational disputes.

### Key Policy Reforms

#### Tax certainty to IT/ITES Sector

- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.

#### Simplifying Taxation of Global Supply Chains

- Safe harbour to non-residents for component warehousing in a bonded warehouse with an effective tax of 0.7%. (lower than in competing jurisdictions).
- Exemption for five years to any non-resident who provides capital goods, equipment or tooling to any toll manufacturer in a bonded zone.

#### Leveraging IFSC as a Global Hub

- Profit linked deduction to IFSC units for approved business is extended to a period of 20 consecutive years out of 25 years.

#### Global Talent Reforms

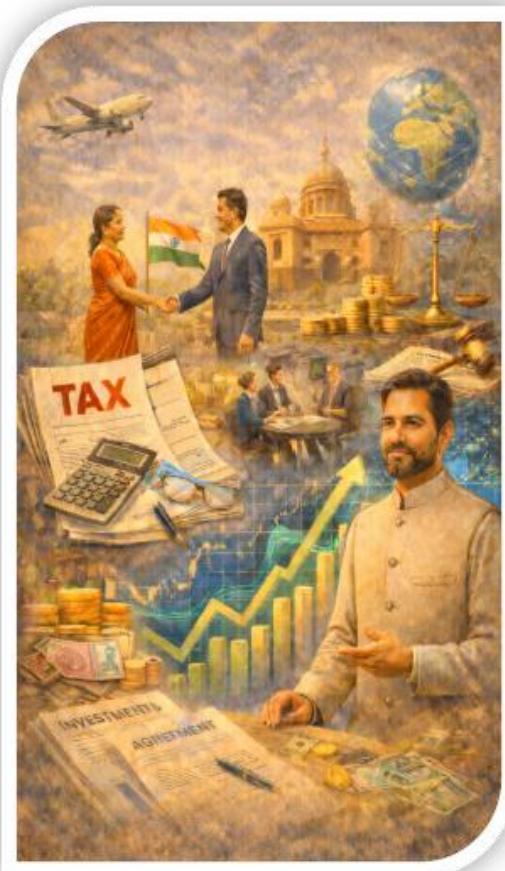
- Exemption to global (non-India sourced) income of a non-resident expert for a stay period of five years under notified schemes.

#### Rationalisation of share Buy-back

- Taxation of buyback being aligned with capital gains regime alongwith differential rate for promoters.

#### Providing Time for Error Correction

- Extended timelines for revised and updated returns will allow MSMEs to correct errors without fear of penal consequences.



### Expected Impact

- Reduced litigation.
- Consistent tax positions.
- Faster assessments.
- Enhanced taxpayer confidence.

# Trust-Based Tax Administration

## From Policing to Partnership

*"When trust leads, compliance follows."*

### Objectives

To shift from an enforcement-heavy regime to a facilitative, trust-driven tax administration.

### Key Policy Reforms

#### Deferred duty

- Deferred duty payment window to trusted MSMEs.

#### System Driven Clearance

- Automatic goods registration and clearance to trusted supply chain.

#### Digital governance

- Unified systems for trade to have single touch point interaction with PGAs.

#### Passenger Facilitation

- Duty-free allowances have been revised and clarity provided to bring a new laptop alongwith personal effects.

#### Lower Deduction Certificate

- Scheme for small taxpayers wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.

#### Decriminalisation

- Procedural lapses such as non-production of books of account, documents etc. decriminalised.
- Only fine is being provided for minor offences.
- Punishment for other offences will be graded commensurate with the quantum of offence with only simple imprisonment and maximum imprisonment reduced to two years.

#### Rationalisation of Penalty

- Conversion of penalties into fees for procedural defaults.
- Penalty for misreporting of income also eligibility for immunity with payment of additional income-tax.



### Expected Impact

- Lower compliance anxiety.
- Voluntary disclosures.
- Reduced criminalization.
- Improved trust between taxpayers and administration.

# Dispute Prevention & Litigation Management

## Resolve Early, Resolve forever

*"The best dispute is the one that never begins."*

### Objectives

To prevent disputes at inception and efficiently resolve existing litigation.

### Key Policy Reforms

#### Removal of penal implications

- Voluntary payments to be treated as a non-punitive charge instead of a penalty under Customs.

#### Customs Advance Ruling

- Customs Advance ruling validity increased to 5 years.

#### New tariff lines

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports by MSMEs.

#### Foreign Asset of Small Taxpayers Disclosure Scheme

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.

#### Penalty Framework Reforms

- IT Assessment & penalty proceedings are proposed to be integrated by way of a common order for both.
- Conversion of penalties into fees for procedural defaults.
- Penalty for misreporting of income also eligibility for immunity with payment of additional income-tax.

#### Block assessment

- IT Assessment in case of third party in search cases will be restricted to only one year.

#### Providing Time for Error Correction

- Extended timelines for revised and updated returns will allow MSMEs to correct errors without fear of penal consequences.

#### Immunity from Prosecution

- Immunity from prosecution with retrospective effect from 1.10.2024 for non-disclosure of non-immovable assets with aggregate value less than twenty lakh rupees.

#### Tax certainty to IT/ITES Sector:

- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.



### Expected Impact

- Significant reduction in tax disputes.
- Faster closure of cases.
- Efficient judicial resource utilisation.

# **Ease of Compliance / Ease of Doing Business**

## **Simpler Laws, Seamless Compliance, Successful Business**

*"Growth accelerates when friction disappears."*

### **Objectives**

To simplify tax compliance and reduce procedural friction for businesses and individuals.

#### **Key Policy Reforms**

##### **Deferred duty**

- Deferred duty payment window to trusted manufacturers.

##### **System Driven Clearance**

- Automatic goods registration and clearance to trusted supply chain.

##### **Digital governance**

- Unified systems for trade to have single touch point interaction with PGAs.

##### **New tariff lines**

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports.

##### **Other Customs process reforms**

- Value removal in courier exports and easy seamless process for returns & rejects.
- The new framework enables manufacturers to move goods between warehouses and production locations through system-based intimations and digital records.

##### **Customs Advance Ruling**

- Customs Advance ruling validity increased to 5 years.

##### **Fisheries**

- Fish caught in the Exclusive Economic Zone and high seas by Indian fishing vessels are treated as duty-free when brought into Indian ports and treated as exports when landed at foreign ports.
- Increase in value-limit of duty-free imports of specified inputs from 1% to 3% of the FOB value of seafood products exported during the preceding financial year.

##### **TDS/TCS Rationalization**

- Reduce TCS rate on sale of overseas tour program package to 2% (from current 5% & 20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittance for education and medical.
- Simplified TDS provisions for manpower supply will benefit labour-intensive businesses.

#### **Lower Deduction Certificate**

- Scheme for small taxpayers wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.

#### **Dividend Deduction ease**

- Single window filing with depositories for Form 15G or Form 15H for TDS on dividends.

#### **Foreign Asset of Small Taxpayers Disclosure Scheme**

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset

#### **Penalty Framework Reforms**

- IT Assessment & penalty proceedings are proposed to be integrated by way of a common order for both.
- Conversion of penalties into fees for procedural defaults.
- Penalty for misreporting of income also eligible for immunity with payment of additional income-tax.

#### **Block assessment**

- IT Assessment in case of third party in search cases will be restricted to only one year.

#### **Revised Returns**

- Extend time available for revising returns from 31st December to up to 31st March with payment of a nominal fee

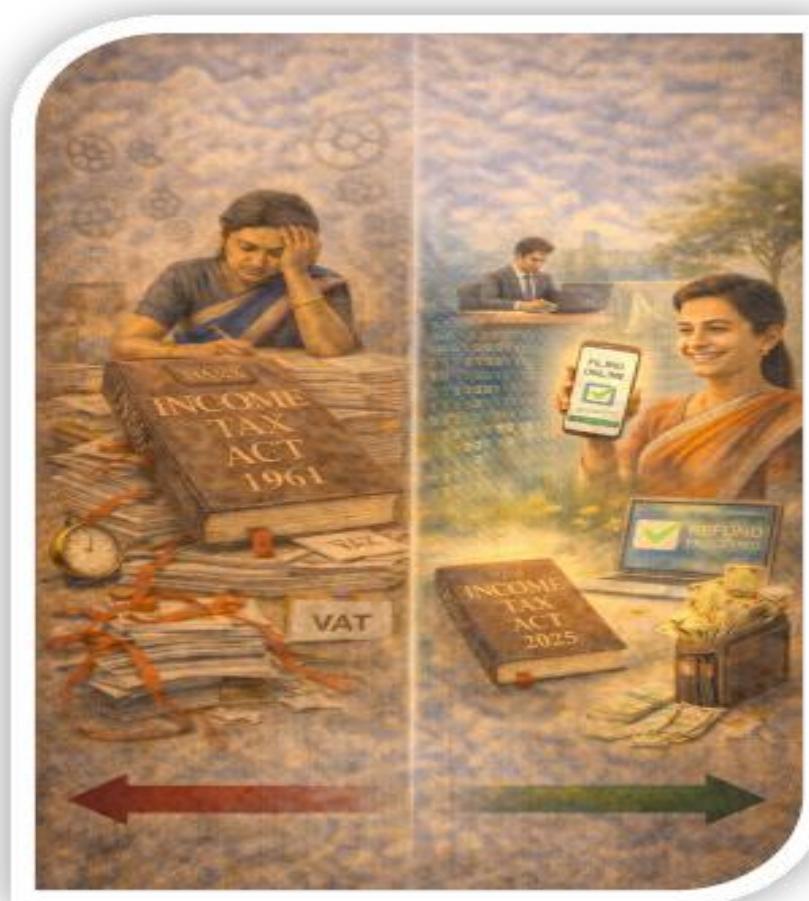
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- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.

## **Ease of Compliance / Ease of Doing Business**

### **Simpler Laws, Seamless Compliance, Successful Business**

*"Growth accelerates when friction disappears."*



#### **Expected Impact**

- Lower compliance costs.
- Voluntary Compliance
- Faster dispute resolution and improved ease of doing business.

# Promote Foreign Investment and Collaboration

## Inviting the World to Build with India

*"Capital flows where clarity and collaboration meet."*

### Objectives

To attract high-quality foreign investment and foster technology and knowledge partnerships.

### Key Policy Reforms

#### Tax certainty to IT/ITES Sector

- New safe harbour provisions for IT/ITES with higher threshold and competitive margin.
- Larger transactions of IT/ITES to be covered under accelerated APA program.
- 

#### Data Centre Incentives:

- Tax holiday to any foreign company till 2047 who provides cloud services globally using data centre services in India.
- Safe harbour in case the resident company providing data centre services is a related entity.

#### Simplifying Taxation of Global Supply Chains

- Safe harbour to non-residents for component warehousing in a bonded warehouse with an effective tax of 0.7%. (lower than in competing jurisdictions).
- Exemption for five years to any non-resident who provides capital goods, equipment or tooling to any toll manufacturer in a bonded zone.

#### Leveraging IFSC as a Global Hub

- Profit linked deduction to IFSC units for approved business is extended to a period of 20 consecutive years out of 25 years.



### Expected Impact

- Reduced litigation and compliance uncertainty.
- Predictable tax outcomes for large investors.
- Improved investment sentiment and capital inflows.

# Technology-Driven & Digital Governance

## Code Over Paper, Systems Over Discretion

*"Digital governance turns intent into impact."*

### Objectives

To leverage technology for transparency, efficiency, and compliance monitoring.

### Key Policy Reforms

#### Customs Process reforms

- Automated alerts for bonds and guarantees, electronic records, and Electronic cargo tracking system replace manual monitoring & supervision.
- End-to-end digital processing for courier exports, RTO and returns, with system-based matching and selective inspections.
- Automatic goods registration and clearance to trusted supply chain.
- Unified systems for trade to have single touch point interaction with PGAs.
- Online and App based facility for making declaration and duty payment to be provided for international passengers.

#### TDS Reforms

##### Lower Deduction Certificate

- Scheme for small taxpayers wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.

##### Dividend Deduction ease

- Single window filing with depositories for Form 15G or Form 15H for TDS on dividends.



### Expected Impact

- Enhanced transparency.
- Reduced manual intervention
- Improved data analytics and better compliance tracking.

# Promote MSMEs

## Fueling the Engines of Grassroots Growth

*"Small enterprises build the biggest economies."*

### Objectives

To support MSMEs through simplified taxation and improved cash flows.

### Key Policy Reforms

#### Deferred duty

- Deferred duty payment window to trusted MSMEs.

#### System Driven Clearance

- Automatic goods registration and clearance to trusted supply chain.

#### Digital governance

- Unified systems for trade to have single touch point interaction with PGAs.

#### New tariff lines

- Product-specific entries for improved export tracking and policy design thereby supporting value-added exports by MSMEs.

#### Improving Liquidity for Small Taxpayers

- A lower deduction certificate scheme for small taxpayers including MSMEs.

#### Other Customs Rationalisation / Exemptions

- Duty-free import of specified inputs is being allowed for exporters of shoe-uppers.
- Time period for export of final products using duty-free imported inputs is being extended from 6 months to 1 year for exporters in leather and textile sector.

#### Simplifying TDS for Labour-Intensive Sectors

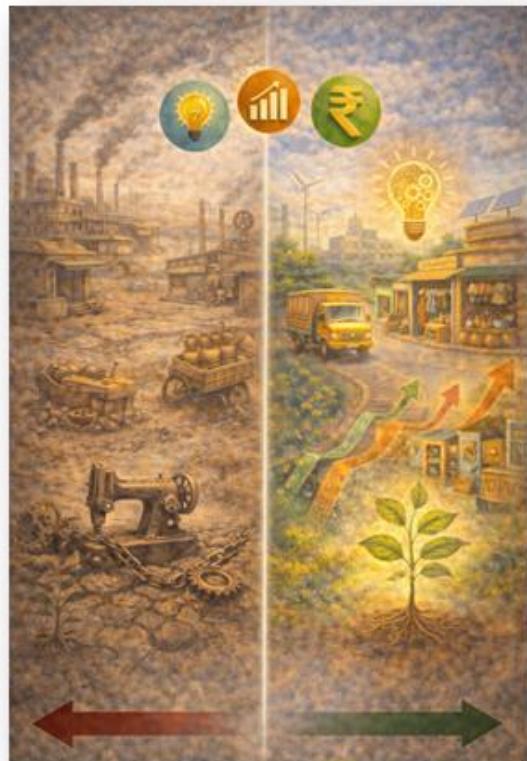
- Simplified TDS provisions for manpower supply will benefit labour-intensive MSMEs.

#### Reducing Penalty-Driven Disputes

- Conversion of penalties into fees for procedural defaults will reduce adversarial litigation and promote trust-based compliance.

#### Providing Time for Error Correction

- Extended timelines for revised and updated returns will allow MSMEs to correct errors without fear of penal consequences.



### Expected Impact

- Improved liquidity.
- Reduced compliance burden.
- Increased MSME formalisation

# Nurture Cooperatives

## Collective Strength, Inclusive Prosperity

*"Shared effort multiplies shared success."*

### Objectives

To strengthen cooperatives as vehicles of inclusive growth.

### Key Policy Reforms

#### Expanded Incentives

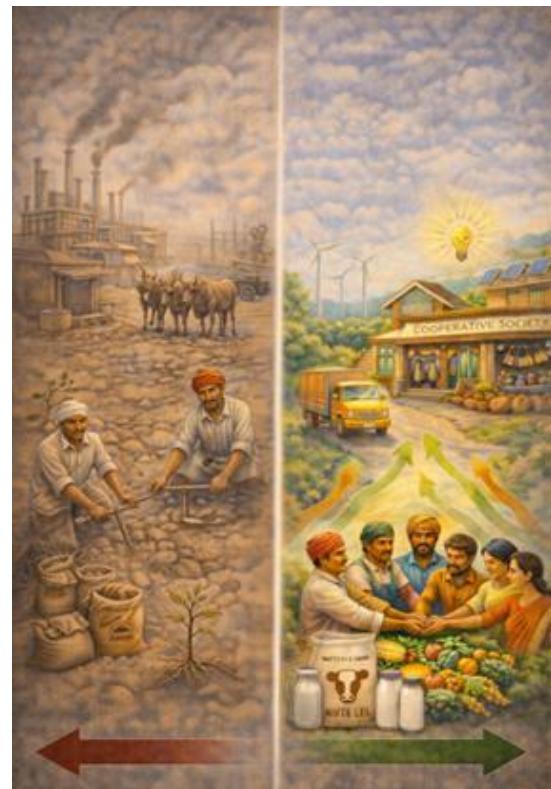
- Extend deduction already allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to those supplying cattle feed and cotton seed also.

#### Tax Neutrality for dividends distributed

- Allow the inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.

#### Preserving Legacy Investments

- Allow exemption for a period of three years to dividend income received by a notified national co-operative federation on their investments made in companies up to 31.1.2026. This exemption would be allowed only for dividends further distributed to its member co-operatives.



### Expected Impact:

- Improved capital efficiency across cooperative networks.
- Stronger balance sheets and reinvestment capacity.
- Reduced tax distortions within cooperative structures.
- Scalable, professionally governed cooperative enterprises.

# **Ease of Living & Social Security**

## **Reducing Stress, Strengthening Security**

*"A humane tax system is a strong tax system."*

### **Objectives**

To reduce financial stress on households and strengthen social security.

### **Key Policy Reforms**

#### **Customs Process reforms**

- Duty-free allowances have been revised and clarity provided to bring a new laptop along with personal effects.

#### **Convenient declaration for foreign passengers**

- Online and App based facility for making declaration and duty payment.

#### **Facility while transferring residence from abroad**

- Duty free entitlement revised to bring household article from abroad.

#### **Custom Rationalization**

- A uniform customs duty for all personal imports, gifts.

#### **Simplifying Property-Related Compliance**

- TAN for property transactions involving NRIs will be replaced with resident buyer's PAN based challan.

#### **TCS Rationalization**

- Reduce TCS rate on sale of overseas tour program package to 2% (from current 5% & 20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittance for education and medical.

#### **Customs Duty Exemptions**

- Customs duty is being exempted on 17 drugs/ medicines for treatment of cancer.
- Duty free personal imports of drugs/ medicines and food for 7 more rare diseases.

#### **Lower Deduction Certificate**

- Scheme for small taxpayers wherein a rule-based automated process for obtaining LDC.

#### **Dividend Deduction ease**

- Single window filing with depositories for Form 15G or Form 15H for TDS on dividends, interest etc.

#### **Foreign Asset of Small Taxpayers Disclosure Scheme**

- A one-time 6-month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset

#### **Revised Returns**

- Extend time available for revising returns from 31st December to up to 31st March with payment of a nominal fee.



### **Expected Impact:**

- Lower household tax burden.
- Enhanced social protection.
- Improved taxpayer welfare.

Note :

This booklet summarised stakeholder-wise analysis and thematic analysis of tax reform proposals of Budget 2026. It is intended solely for ease of reference and simplified representation of the said proposal. It is designed to facilitate understand and discussion of key themes and potential implementations across stakeholders. The final and legally binding position shall be governed by the relevant provisions of the Finance Bill, along with the relevant Explanatory Memorandum and allied statutory documents, as enacted from time to time.