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Our Leadership Speaks

Budget 2026: Opportunities and Risks

The Union Budget 2026-27 arrives at a moment when policy credibility is under close scrutiny. Amid geopolitical uncertainty and sustained pressure on the rupee, the new Income Tax Act, 2025, effective April 1, 2026, marks a meaningful overhaul of India's compliance framework. Measures such as FAST-DS, extended revised return timelines, and a capped ₹5,000 correction fee signal a shift toward facilitative taxation. However, reforms of this scale carry execution and transition risks, and finance leaders will need to factor these into compliance, systems, and planning well ahead of implementation.

For businesses, the budget offers targeted relief while leaving key structural issues unresolved. The ₹10,000 crore SME Growth Fund and customs duty cuts on critical minerals lower manufacturing costs, but persistent challenges like the GST inverted duty structure for MSMEs remain unaddressed. The STT hike on futures and options, quickly reflected in market sentiment, increases transaction costs and raises concerns for active participants. While extended tax holidays for IFSCs and long-term exemptions for cloud and data infrastructure are strategically sound, they benefit a limited segment, and the absence of measures to stem sustained FPI outflows is a notable gap.

Strategically, the budget provides direction, though the fiscal math warrants caution. Unified accounting standards replacing ICDS and sustained focus on semiconductors, rare earths, and digital infrastructure offer clarity for long-term capital allocation. At the same time, rising borrowings, higher interest servicing, and a large share of revenue tied to fixed commitments constrain fiscal flexibility. Budget 2026 is best read as an incremental recalibration rather than a transformational shift, with outcomes ultimately hinging on execution rather than intent.

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Never miss a date

March 2nd Due date for furnishing of challan-cum-statement in respect of tax deducted under sections 194-IA, 194-IB, 194M, and 194S in the month of January 2026	March 7th Due date for deposit of Tax deducted/collected for the month of February 2026	March 7th Uploading of declarations received in Form 27C from the buyer in the month of February 2026	March 7th Collection and recovery of equalisation levy on specified services in the month of February 2026
March 15th Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of February 2026 has been paid without the production of a challan	March 15th Fourth instalment of advance tax for the assessment year 2026-27	March 15th Instalment of Advance Tax for assessee covered under presumptive income scheme of Section 44AD/44ADA	March 17th Due date for issue of TDS Certificate for tax deducted under Sections 194-IA, 194-IB, 194M, and 194S in the month of January 2026
March 30th Due date for furnishing of challan-cum-statement in respect of tax deducted under sections 194-IA, 194-IB, 194M, and 194S in the month of February 2026	March 31st Collection and recovery of equalisation levy on e-commerce supply or services for the quarter ending March 31, 2026	March 31st Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India in Form 3CEAD for the purposes of sub-section (2) or sub-section (4) of section 286 of the Income-tax Act, 1961 (assuming reporting accounting year is April 1, 2024 to March 31, 2025)	March 31st Due date for claiming foreign tax credit, upload statement of foreign income offered for tax for the Previous Year 2024-25 and of foreign tax deducted or paid on such income in Form No. 67

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ALL YOU NEED TO KNOW ABOUT TAXATION CHANGES IN THE BUDGET 2026

Introduction

On February 1, 2026, Finance Minister Nirmala Sitharaman presented the Union Budget 2026–27. While the macroeconomic framework reinforced stability and continuity, the taxation provisions drew widespread attention, not just for what was changed but for what wasn't. From procedural reforms to investor-oriented tax tweaks and compliance incentives, the budget's tax agenda was broad, yet the reaction from experts and markets was decidedly mixed. Below is a complete yet clear breakdown of every key tax update from the budget, presented with context and commentary.

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New Income Tax Act, 2025: A Structural Shift

The biggest overarching tax reform is the rollout of the Income Tax Act, 2025 from 1 April 2026. This replaces the Income Tax Act of 1961 with a modernised legal framework aimed at simpler language, clearer rules, fewer litigation risks, and standardised compliance procedures. The government claims this will foster a trust-based tax regime and reduce disputes.

What this means for business teams:

- A new legislative foundation that could streamline assessments and reduce interpretive conflicts
- Implementation risk lies in how quickly rules are finalised and clarity achieved. Experts warn early complexity and multiple amendments could dampen the simplicity gains.

Income Tax Rates and Slabs: No Relief for Now

There were no changes to income tax slabs or basic rates under either the old or new tax regime for FY 2026–27. That means individuals and corporations face the same rate structure, with no rate cuts or threshold increases.

Positive interpretation:

- Stability and predictability for budgeting and forecasts.

Criticism:

- Middle-class taxpayers and salaried individuals were expecting relief given inflation and cost-of-living pressures.
- Many experts labelled this a missed opportunity, with relief limited mostly to procedural changes rather than rate reductions.

TCS (Tax Collected at Source), Targeted Reductions

Budget 2026 reduced TCS rates on select remittances under the Liberalised Remittance Scheme:

- **Overseas tour programme packages:** Reduced from 5% and 20% (based on booking amounts) to a flat 2%.
- **Education abroad and medical remittances:** TCS lowered to 2%, easing cash flow for families covering overseas expenses.

Why this matters:

- Lower TCS can improve Indian households' liquidity when spending abroad
- A welcome relief for parents sending children overseas and patients seeking medical treatment outside India.

TDS (Tax Deducted at Source): More Automated & Broader

A few important changes aim at simplification and broader coverage:

- **PAN-based TDS on property sale by NRIs:** Sales by non-resident Indians now attract TDS tied to PAN rather than requiring a TAN, simplifying compliance.
- **Automation of lower or nil TDS certificates** (for small taxpayers) will reduce discretionary approvals and increase predictability.
- **Rationalised TDS/TCH procedures** for manpower supply services to align with practical business workflows.

These changes reduce friction in real estate transactions and routine contract payments.

Revised ITR Filing Deadlines & Compliance Ease

The budget extended the deadline to file revised income tax returns from 31 December to 31 March of the relevant year, with a nominal fee for late adjustment. There are also staggered ITR filing deadlines for different return types (e.g., non-audit business returns).

The logic: more time equals fewer rushed errors.

Critique:

- Some see this as tinkering with deadlines rather than substantial reform for working professionals.

STT (Securities Transaction Tax): A Double-Edged Sword

Budget 2026 revised STT, especially on derivatives:

- STT on futures increased from 0.02% to 0.05%.
- STT on options increased from 0.1% to 0.15%, with similar hikes on the exercise of options.

Market response:

- Higher transaction costs directly impact active traders, potentially reducing liquidity and dampening volumes.
- Policy intent emphasised encouraging longer-term participation, yet markets reacted negatively with index falls soon after the budget.

Investment Tax Tweaks: SGBs & Buybacks

Budget 2026 delivered important investor-impacting tax changes:

- **Sovereign Gold Bonds (SGBs):** Capital gains exemption now applies only if bonds are bought at original issuance and held to maturity. Secondary market investors will now face tax on gains, a big shift with notable post-tax cost implications.
- **Share Buybacks:** Taxation shifted from dividend classification to capital gains treatment, with different implications depending on the shareholder category.

Business and investor view:

- Moves encourage long-term holding and rationalisation of tax structures.
- However, the altered SGB taxation drew criticism for reducing the attractiveness of second-hand sovereign bonds.

Non-Resident and International Tax Provisions

A few nation-wide measures specifically benefit non-resident and cross-border participants:

- Five-year tax exemption on foreign income for certain overseas professionals visiting India under notified schemes, a bid to attract global talent.
- Higher investment limits for NRIs in listed stocks (expanded shareholding caps), encouraging overseas capital participation in Indian markets.

These could boost India's global talent pipeline and external capital flows.

Other Direct Tax Tweaks

A set of smaller but noteworthy tax changes included:

- No tax on compensation for government land acquisition, easing the burden on individuals impacted by state-led projects.
- Exemption of tax on interest from motor accident compensation, improving after-tax returns for victims.
- Alignment of PF trust exemptions with EPFO provisions to reduce disputes for provident fund managers.
- One-time foreign asset disclosure scheme with immunity for small taxpayers, encouraging voluntary compliance.

Compliance, Penalty & Prosecution Overhaul

Budget 2026 rationalised penalties and prosecution provisions under the income tax framework:

- The maximum jail term for non-filing of ITR (above ₹50 lakh of tax) has been significantly reduced (from 7 years to 2), with an option to pay a fine instead.
- Penal implications for minor procedural lapses have been softened.
- Enforcement will focus on substantive violations rather than technical errors.

Why this matters:

- This reflects a more taxpayer-friendly enforcement posture, moving away from excessively punitive policies.

Critical Perspectives: What Experts Expected But Didn't Get

Even though the budget covered a wide array of tax areas, several expectations weren't met:

- No meaningful income tax rate cuts despite inflation pressures and rising personal tax collections.
- Broader incentives for SME/mid-market corporate tax were absent.
- Stakeholders hoped for greater incentives for manufacturing and R&D, which didn't emerge as tax credits or accelerated deductions in this budget.
- Some simplifications remain procedural rather than substantive in reducing tax costs.

Critique:

Positives:

- New tax law designed for clarity and dispute reduction.
- Targeted TCS reliefs improve liquidity.
- Rationalised compliance timelines and penalty framework.
- Investor-oriented changes build predictability.

Caveats:

- No direct tax rate relief.
- STT hikes and SGB tax twists raise trading costs.
- Compliance simplification may be more procedural than transformative.

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