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BUDGET 2026

HIGHLIGHTS



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Budget 2025–26 Overview

This note highlights the key expectations and potential financial implications of the Union Budget, explained in simple and practical terms for the general public before the start of Budget.

Key Expectations and Focus Areas

Income Tax Slabs Significant structural changes are unlikely

Standard Deduction Anticipated increase under the new tax regime

Home Loan Interest Deduction Possible enhancement of the maximum deduction limit

Old Tax Regime Expected to remain in place for the next few years

GST Input Tax Credit (ITC) reforms aimed at improving working capital liquidity

Railways Higher budget allocation and capacity expansion initiatives

Stock Markets Potential growth and dynamic movement in defence, clean energy, AI, and infrastructure sectors

It is important to note that no single budget can comprehensively address all sectors simultaneously; typically, only select areas receive priority attention. Therefore, a cautious “wait and watch” approach is advisable.

There are strong belief expectations that the government may provide relief to the FDI & NRI Investments, Simplification of Governance

The present budget is driven by Yuva Shakti. The focus is on poor, underprivileged and disadvantaged. It has been defined as 3 kartavyas –

1. Accelerate and sustain economic growth.

- Enhancing productivity and competitiveness.
- Building resilience for volatile global dynamics.

2. Fulfill aspirations of our people.

- Build people's capacity.
- Making people strong partners on the path of prosperity.

3. Vision of Sab Ka Saath, Sabka Vikas.

- Ensure every family, community, region and sector has access to resources, amenities and opportunities with a meaningful participation.

REFORMS:

- Comprehensive economic reforms towards creation of employment, boosting productivity and accelerating growth.
- GST, labour code and mandatory quality control.
- Formation of high-level committee.
- Coordination with State Government for reducing compliance requirements on deregularization.

PILLARS OF GROWTH & DEVELOPMENT

- Sustaining economic growth.
- Strengthening foundation of growth.
- People-centric development.
- Trust-based government.
- Ease of living and doing business.
- Fiscal matters.

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TAX Reforms

- *Revised Income Tax framework effective from April 1, 2026*
- *Simplification Measures*
- *Introduction of simplified tax rules*
- *Updated and streamlined return filing forms to enhance ease of compliance*
- *Transition Support*
- *Adequate time provided for taxpayers to understand and adapt to the new requirements*
- *Focus on ensuring a smooth and hassle-free implementation*



Direct Tax Policy Changes

TDS Self-Declaration Facility

- Forms 15G (below 60 years) and 15H (above 60 years) can be submitted directly to depositories (NSDL/CDSL)
- Depositories will forward declarations to the respective companies for non-deduction of TDS

Return Filing & Revision Timelines

- Time limit for revising Income Tax Returns extended from December 31 to March 31 (with nominal fees)

Foreign Asset Disclosure – One-Time Compliance Window

- 6-month one-time facility for small taxpayers, students, young professionals, tech employees, and relocated NRIs to declare foreign assets and related income

Category A – Undisclosed income/assets

- Declaration cap: ₹1 crore
- Tax: 30% of FMV of asset + 30% of undisclosed income + 30% additional tax
- Immunity from penalty and prosecution

Category B – Income disclosed but assets not reported

- Asset value cap: ₹5 crore
- Immunity available on payment of ₹1 lakh

Assessment & Appeals Rationalization

- Common order for assessment and penalty proceedings
- No interest liability on penalty amount during first appeal
- Pre-deposit for second appeal (Tribunal) reduced from 20% to 10% of tax demand

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Updated Return & Litigation Reduction

- Taxpayers may update returns even after reassessment begins by paying 10% additional tax
- Updated returns considered during proceedings to reduce litigation
- Misreporting of income covered under immunity framework, subject to 100% additional tax

Compliance Simplification

- Technical defaults (non-audit of accounts, non-furnishing TP report, statement of financial transactions) converted to fees instead of penalties
- Prosecution framework rationalized
- Serious offences graded with maximum 2 years simple imprisonment or fine

Cooperative Sector Benefits

- 100% Tax deduction u/s 80P to primary cooperative societies supplying milk, oilseeds, fruits, vegetables now further extended to include cattle feed, and cottonseed purchased from members
- Inter-cooperative dividends exempt under the new regime
- Dividends received by National Cooperative Societies (up to Jan 31, 2026) exempt when redistributed to members

IT/Transfer Pricing Reforms

- Software development, IT-enabled services, KPO, and R&D grouped under “IT Services”
- Safe harbour margin fixed at 15.5%
- Turnover threshold enhanced from ₹300 crore to ₹2,000 crore
- Automated approval of safe harbour pricing with 5-year validity and no manual scrutiny

Other Relief

- NRIs opting for presumptive taxation exempted from Minimum Alternate Tax (MAT)

Major Income Tax Changes

Buyback Taxation

- Buyback of shares by promoters brought under the Capital Gains framework
- Corporate promoters: 22% additional buyback tax
- Non-corporate promoters: 30% additional buyback tax

Securities Transaction Tax (STT) Revisions

- Futures: Increased from 0.02% to 0.05%
- Options (premium and exercise): Increased to 0.0125%
- Aimed at rationalizing taxation of derivatives trading

Corporate Tax – New Regime Incentives

- Lower tax rates under the new corporate tax regime to encourage adoption
- Set-off of brought-forward MAT credit permitted up to 25%

Phasing Out of MAT

- Minimum Alternate Tax (MAT) to be discontinued effective April 1, 2026
- Final tax rate under the new regime reduced to 14%, compared to 15% under MAT
- MAT credit accumulated up to March 31, 2026, to remain available for future set-off

Amendments in TDS & TCS

TCS Rationalization

- TCS on overseas tour packages reduced from 5%/20% to 2%
- TCS on education and medical loans under the Liberalized Remittance Scheme (LRS) reduced from 5% to 2%
- TCS for alcoholic liquor, scrap, and minerals rationalized at 2%
- TCS on tendu leaves reduced from 5% to 2%

TDS Compliance Updates

- TDS on manpower services:
 - 2% for partnerships and corporates
 - 1% for proprietorships and individuals
- Manpower agencies classified as contractors for TDS purposes
- Small taxpayers may apply for lower or nil TDS deduction through an automated concessional rate process
- TDS on property purchase from NRIs to be deposited by the Indian buyer using PAN, eliminating the requirement for TAN
- Minor offences such as TDS in kind and non-production of books/documents decriminalized (fine only)

Boost to the Manufacturing Sector

- Withdrawal of deferred duty benefits for trusted manufacturers
- Duty-free import of seafood processing inputs up to 3% of previous year's FOB export turnover
- Shoe uppers added to the list of products eligible for duty-free import of inputs
- Export time limit extended to 1 year for leather, textile garments, and footwear exporters
- Basic customs duty exemption on specified parts for microwave oven manufacturing
- Customs duty exemption on aircraft components and parts
- Duty-free import of raw materials for aircraft parts used in defence MRO
- Recognition of trusted, regular importers under the Risk Management System
- Factory-level clearance allowed for electronically sealed export cargo
- SEZ manufacturing units permitted DTA sales at concessional duty rates

Boost to MSME

Three approaches for MSME to grow as champions.

Equity support

- SME growth fund of Rs. 10,000 crores.
- Self-reliant India fund 2021 with top-up of Rs. 2000 crores.

Professional Support

- Tier 2 and tier 3 cities will get professional institutions as corporate mitras to meet the requirements of compliance at affordable cost.

Liquidity support through TREDS (Trade Receivables Discounting System)

- TRED will be a mandate platform for all transaction settlements of purchases from MSMEs by CPSE (Central Public Sector Enterprise) serving as a benchmark for other corporates.
- DGT MSE will be introduced as support mechanism for invoice discounting on the TRED platform.
- GEM platform will be linked with TREDS to encourage cheaper and quicker financing.
- Receivables in TREDS will be treated as an asset-backed security to develop a secondary market, enhancing liquidity and settlement of transactions.
- Removal of value cap on courier exports of Rs. 10 lakhs per consignment.

Boost to Service Sector

- High power standing committee to focus as a core driver of Viksit Bharat to focus on education to employment and enterprise.
- Establishing new institutions for 10 selected disciplines in the health sector for allied health professionals (AHP).
- To build a core ecosystem of multi-skilled caregivers, developing NSQF aligned programs to train.
- Partnership with private sectors in developing schemes for States in establishing medical value tourism in 5 hubs.
- To promote Ayurveda, there will be 3 new All India Institutes, upgrading Ayush pharmacies and drug testing labs in higher standards and certification along with upgrading the WHO Global Traditional Medicine Centre.
- Creating Content Creator Labs AVGC in 15000 secondary schools and 500 colleges.
- Setting up a new National Institute of Design in eastern region of India through challenge route.
- For Sports Sector, Khelo India Mission, integrated talent pathway, systematic coaching, integration science and technology alongside development of sports infrastructure.
- Education has been given an impetus by opening 5 University townships in the vicinity of major industrial and logistic corridors.
- STEM institutions in every district for girls' hostel in higher education.

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- Telescoping infrastructure facility, setting up and upgrading of existing 4.
- Tourism sector has been given a boost by forming National Institute of Hospitality which shall be a bridge between academia, industry and government.
- Pilot scheme for 20 iconic tourist sites with upskilling 10,000 guides.
- Select States shall have ecologically sustainable mountain trails, turtle trails and bird watching trails.
- First every Global Big Cat Summit shall be hosted in India.
- Develop 15 archaeological sites as a vibrant experiential, cultural destination.
- North East region shall have development Buddhist circuits.
- Tax reforms: Already discussed in Tax Reforms.

Boost to Financial Sector

- To align with the next growth phase of Viksit Bharat, propose to constitute high-level committee of banking.
- Municipal bonds of more than 1000 crores shall be incentivized by Rs. 100 crores for single issuance.
- Existing scheme of Amrit swill continue.
- Power Finance Corporation (PFC) and Rural Electrical Corporation (REC) shall be restructured.
- FEMA (Foreign Exchange Management, non-debt instrument) rules shall be reviewed in comprehensive.
- Introducing market making framework for corporate bonds total returns swaps.
- Tax proposals are discussed in tax reforms.

Boost to Agriculture & Allied Sector

- Boost for increasing productivity and income of the farmers.
- Expanding high-density cultivation of walnuts, almonds and pine nuts by rejuvenating old low-yielding orchards.
- Coconut, Indian cashew and cocoa promotion schemes to increase production.
- Sandalwood program for focused cultivation and harvest processing.
- Supporting animal husbandry entrepreneurship to facilitate job creation in rural and periurban areas. Loan-linked capital subsidy support scheme for establishing veterinary and para-vet colleges, including veterinary hospitals, diagnostic labs and breeding facilities in the private sector.
- Boosting training to align with employee rules.
- Fisheries: Development integrated 500 reservoirs and Amrit Sarovars. Strengthening the value of fisheries chain in coastal areas by enabling market linkage for startups and women-led groups together with fish FPO.
- Integrating agricultural portals and ICAR package on agricultural practices with AI system.

Boost to Infrastructure

- Public capex has grown from 2 lakh crores in FY 2015 to 12.2 lakh crores in FY 2027.
- Initiatives have been provided for large scale enhancement of public infrastructure – In VITs, REITs, NIIF and NABFID.
- Tier 2 and tier 3 cities with over 5 lakh population will continue to focus on developing infrastructure.
- Setting up of Risk Guarantee Fund to provide prudently calibrated partial credit guarantee to lenders.
- Setting up of dedicated REITs for recycling of real estate assets of CPSEs.
- Setting up new dedicated freight corridors connecting Dankuni in the East to Surat in the West.
- 20 New national waterways connecting mineral-rich areas, industrial centres and ports.
- Ship repair ecosystem catering to inland waterways.
- Launch of coastal cargo promotion scheme to increase the share of inland waterways and coastal shipping from present 6% to 12% by 2047.
- Launching Seaplane VGF Scheme for indigenous manufacturing within India.
- SASCI scheme to support states, Rs. 2 lakh crores.
- Development of East Coast Integrated Industrial corridor, Purvodaya.
- Seven high-speed rail corridors environmentally sustainable passenger system as growth connectors between Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, Varanasi-Siliguri.

Schemes to ensure long term Energy Security & Stability

- Carbon capture utilization and storage (CCUS) scheme at an outlay of Rs. 20,000 crore to adopt carbon capture utilization.
- Exemption of BCD extended to capital goods used for manufacturing lithium ion cells.
- BCD exemption on import of sodium antimonate for use in manufacture of solar glass.
- Extending existing BCD exemptions on import of goods required for nuclear power project till the year 2035 and extended for all nuclear plants irrespective of capacities.
- BCD exemption on import of capital goods used for processing critical minerals in India.
- Central excise duty excluded on the entire value of biogas, payable on biogas blended CNG.

ITR FILING DUE DATE CHANGES

Particulars	New Deadlines
Salaried, 1 House Property & Other Income - ITR 1	31 July 2026 (No change)
Salary, 1 plus House Property, Capital Gains, Other Income - ITR 2	31 July 2026 (No change)
Profit/Gain from Business or Profession with Books of Accounts & Other Income - ITR 3 (Non-Audit)	31 August 2026 (Extended July to Aug 26)
Presumptive Profit for Business & Services without Books of Accounts - ITR 4 (Non-Audit)	31 August 2026 (Extended July to Aug 26)
All Business & Services require Audit under various Law	31 October 2026 (No change)
Revised Filing Date for all Assesses	31 March 2027
Revised filing for FY 2024-25*	Extension not clear. May or may not – 31 st Mar 2026

Trust Based Governance

- Extending validity period of advance ruling to bind custom authorities from 3 to 5 years.
- Regular importers with longstanding trust will be recognized in the risk system.
- The need of verification of their cargo every time will be minimized.
- The filing of bill of entry by trusted importer on arrival of goods will automatically notify customs.
- Custom warehousing framework will be transformed as warehousing operator centric system with self-declaration.

Ease of Living

- Persons Resident Outside India (PROIs) shall be permitted to invest in equity instruments of Indian companies through Portfolion Investment Scheme (PIS).
- BCD exempted on 17 drugs/medicines for cancer patients.

Citizen Care

- Training of 1.5 lakh multi-skilled caregivers, covering geriatric and allied care services.
- Self-help entrepreneurs (SHE) marts, community-owned retail outlets within cluster level federation.
- Divyangjan Kaushal Yojana, customized training, industry relevant, specific to disability groups to provide dignified livelihood opportunities.
- Divyang Sahara Yojana: Timely access to high-quality assistive devices for all eligible.
- Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale up production of assistive devices, invest in R&D and AI integration.
- PM Divyasha Kendras shall be strengthened as modern retail-style centres.
- NIMHANS 2 and upgrading National Mental Institution in Ranchi and Tezpur.
- Emergency and Trauma Care Centres in district hospitals.

Interesting Highlights of Budget

- The Finance Minister has made history by presenting the Union Budget for the ninth consecutive time – a remarkable milestone that surpasses all her predecessors.
- Her projections reflect consistency and long-term vision, building on the strong foundation laid by previous budgets rather than starting from scratch.
- Across her earlier eight budgets, she addressed the aspirations of industries, salaried individuals, and various sectors, striving to create a balanced approach while strengthening India's position globally.
- This year's budget marks a shift in philosophy – moving away from short-term sops and focusing instead on building a stronger, self-reliant nation. The emphasis is on strengthening the balance sheet rather than chasing immediate gains in the profit and loss account.
- With a clear focus on robust infrastructure and the vision of Viksit Bharat, the budget aims to create sustainable growth and lasting prosperity for future generations.
- While the Budget presents several progressive measures, certain aspects require further clarity:
- Some relief provisions need clearer explanation and applicability details.
- Fine print and technical clauses require careful interpretation.
- Definition and scope of small taxpayers remain undefined.
- Presumptive tax provisions for NRIs are currently not applicable.

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- More clarity is needed on the effective dates of implementation.
- Procedures for foreign asset disclosure and half-yearly reporting require detailed guidance.
- The Income Tax return filing deadline has been extended from December 31 to March 31, but there is:
 - No clarity on the applicable financial year
 - No clarity on the proposed minimum fee

A Common Man's Perspective on the Budget

Industry leaders, trade bodies, financial advisors, and experts have already provided in-depth reviews of this Budget. Here, we attempt to present a simple and practical view, focusing on how it impacts the common citizen.

Key Observations

- Congratulations to Ms. Nirmala Sitharaman for presenting nine consecutive Budgets – a remarkable milestone exceeding all previous Finance Ministers.
- The focus has shifted from the Profit & Loss Account to the Balance Sheet.
- In simple terms, while profit generation remains the business objective, the government emphasizes long-term asset creation and financial strength.
- The Budget strongly emphasizes reforms.
- These reforms aim at Balance Sheet strengthening – building national infrastructure, creating assets, and responsibly managing liabilities to ensure a stronger nation.
- Major thrust on Investment, FDI, and NRI participation, supported by:
 - Safe harbour concessions
 - Transparent policies
 - Business-friendly measures
- Historically lower tax expectations on infrastructure investment were not anticipated.
- New opportunities identified across manufacturing, trading, and services, both domestically and globally.
- Every segment – professionals, service providers, manufacturers, traders, and investors – has something beneficial this time.
- While earlier Budgets focused on salaried individuals and taxpayers, this one appears to be aimed at building “A Strong India through Strong Infrastructure.”

Your Opinion Matters

- Do you think this is a Good Budget or a Bad Budget? We would love to hear your thoughts, feedback, and suggestions!

Disclaimer : We have taken utmost care in compiling this Budget 2026 Highlights however for complete details it is recommended to read the Gazetted Copy of Budget and the opinion herein is only of our Total Solutions Team who have drafted this. E&OE

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Contact :

 **9845068263**

 **as@totalsols.in**

 **www.total-sols.com**