RVA INSIGHTS

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Contents

Highlights of Union Budget 2026

Union Budget 2026 (Budget 2026) keeps the tax rates unchanged for domestic companies for tax year (TY) 2026-27.

a. Tax rates for domestic companies for TY 26-27:

Particulars	*Maximum effective tax rate*	*Effective MAT rates*
Concessional tax regime		
Domestic companies opting for concessional tax rates as per section 200 of the Income tax Act, 2025 (corresponding to section 115BAA of the Income tax Act, 1961)	25.17%	NA
New domestic companies with manufacturing activity opting for concessional tax rates as per section 201 of the Income tax Act, 2025 (corresponding to 115BAB of the Income tax Act, 1961)(Applicable to new companies set	17.16%	NA

up after 01 October 2019 and commenced manufacturing before 31 March 2024)		
Other than concessional tax regime		
Total turnover in FY 2024-25 is up to Rs 4 billion	29.12%	Proposed - 16.307% Existing - 17.472%
Total turnover in FY 2024-25 exceeds Rs 4 billion	34.94%	Proposed - 16.307% Existing - 17.472%

Note: MAT rate is proposed to be reduced to 14% of book profit from the existing 15%. Further it is also proposed that the tax paid under provisions of MAT shall be final tax in the old regime and no new MAT credit may be allowed. Domestic companies moving to concessional tax regime from TY 2026-27and onwards shall be allowed to use the balance of MAT credit to the extent of 25% of tax payable every tax year. The balance MAT credit shall be carried forward for 15 years.

b. Tax rates for foreign companies for TY 26-27:

Total Income	Effective tax rate
Up to Rs 10 million	36.40%
Between Rs 10 million to Rs 100 million	37.13%
Above Rs 100 million	38.22%

c. Tax rates for partnership firm & LLP for TY 26-27:

Total Income	Effective tax rate
Up to Rs 10 million	31.20%
Above Rs 10 million	34.94%

d. Tax rates for individuals for TY 26-27:

i) No change in slab rate is proposed in Budget 2026 for new personal tax regime. The income tax slabs and rates for TY 26-27 are as follows:

Total Income	Slab rate
Till Rs 400,000	Nil
Rs 400,001 to Rs 800,000	5%
Rs 800,001 to Rs 1,200,000	10%
Rs 1,200,001 to Rs 1,600,000	15%
Rs 1,600,001 to Rs 2,000,000	20%
Rs 2,000,001 to Rs 2,400,000	25%
Above Rs 2,400,001	30%

Rebate under new tax regime remains unchanged at Rs 60,000 for total income up to Rs 1.2 million.

ii) No change in tax slab rate in the old tax regime and hence existing slab rates continues, which is as follows:

Total Income	Slab rate
Till Rs 250,000	Nil
Rs 250,001 to Rs 500,000	5%
Rs 500,001 to Rs 1,000,000	20%
Above Rs 1,000,000	30%

Rebate under old tax regime remains unchanged at Rs 12,500 for total income up to Rs 0.5 million.

e. Surcharge rate on individuals – TY 26-27

Total Income	Surcharge
Rs 5 million to Rs 10 million	10%
Rs 10 million to Rs 20 million	15%
Rs 20 million to Rs 50 million	25%
Above Rs 50 million	37%

Note: Maximum rate of surcharge is Rs 15% in case of dividend income (for residents), long term capital gains and short-term capital gains. Maximum surcharge rate under new regime is 25%.

2. Capital gains on buy back of listed shares instead of treating it as dividends.
   Budget 2026 has proposed a key change to how buybacks will be taxed on listed shares from TY 26-27. Currently, the consideration received on buyback of share is treated as dividend and taxed as per individual tax slab. Buybacks are proposed to be taxed as capital gains – the difference between the consideration received and cost of acquisition of the shares bought back. In case of long-term capital gains, the applicable tax rate is 12.5 percent, and it is 20 percent for short term gains. The above tax rate is applicable to public / individual shareholders. In case of promoters the tax rate is 22 percent for both short term and long-term gains, and in case of any other kind of promoters the tax rate is 30 percent for both short term and long-term gains.

3. TCS amendments

Budget 2026 proposes to amend the TCS rates in the following manner:

S No	Nature of receipt	xisting rate	roposed rate
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of scrap	1%	2%
4	Sale of minerals, being coal or lignite or iron ore	1%	2%
5	Sale of overseas tour programme package	5% / 20%	2%
6	Remittance under the Liberalised Remittance Scheme exceeding Rs 1 million for purpose of education and medical treatment	5%	2%

4. Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026

A timebound scheme for disclosure of foreign assets by certain small taxpayers such as returning non-residents has been introduced. It provides graded relief, including immunity from penalty and prosecution, subject to payment of tax, additional levy, or a fixed fee, depending on the category of non-disclosure.

5. Relaxations for non-residents

- ➢ Exemption from MAT to non-residents availing presumptive taxation scheme.
- ➢ Exemption to eligible non-residents and foreign companies – to attract global business and investment, and promote manufacturing, data centres and Artificial Intelligence, Budget 2026 proposes to provide exemption to the following non-residents and foreign companies.

S No	Eligible persons	Exempt Income
	Foreign company	Income from providing capital goods, equipment or tooling to a contract manufacturer in India (located in a custom bonded warehouse) producing electronic goods for the foreign company. Exemption available up to TY 2030-31.
	Foreign company	Income from procuring data centre services from a specified date centre, routed though an Indian reseller entity. Exemption available up to TY 2046-47.

	Non-resident individual	Income in connection with any Scheme as may be notified by the Central Government and fulfils such other conditions. Exemption available for a period of 5 consecutive years immediately preceding the financial year during which he visits India for the first time for rendering services.

6. Transfer Pricing

a) Safe Harbour Rules

- Turnover threshold for Safe Harbour for Information Technology (IT) services has been raised from Rs 3 billion to Rs 20 billion.
- Uniform Safe Harbour margin of 15.50% proposed for the IT services category.

b) Advance Pricing Agreements (APA)

- Proposal towards finalising unilateral APAs for IT services within 2 years.
- To enable associated enterprises (AE) claim refund of any additional taxes paid or withheld, such AEs would now be allowed to furnish their modified tax return. This shall be applicable for APAs entered after 01 April 2026.

7. International Financial Services Centre (IFSC)

   - Budget 2026 proposes to extend the tax holiday period for specified income earned by IFSC based units for a period of 20 consecutive financial years (FY) out of 25 FYs for units in IFSC and 20 consecutive FYs for Offshore Banking Units (OBU).
   - Business income of such OBUs and units of IFSC is proposed to be taxed at 15% after the expiry of such beneficial period.

8. Rationalisation of penalties into fee:

   The Finance Bill has proposed to convert penalties for technical delays into mandatory fee for the purpose of reduction in litigation as follows:

S No	Offence	Proposed Fee
1	Failure to get accounts audited	Fee – Rs 75,000 for delay up to 1 month Fee – Rs 150,000 for any further delays.

2	Failure to furnish an accountant report (Form 3CEB) by person entering international transaction or specified domestic transaction.	Fee – Rs 50,000 for delay up to 1 month Fee – Rs 100,000 for any further delays.
3	Failure to furnish statement of specified financial transactions or reportable account	Fee – Rs 200 per day (maximum of Rs 100,000)

9. Other Amendments

- Delay in remittance of employees' contribution to Provident Fund and Employees' State Insurance or any other welfare fund under the respective statute's due dates shall be allowed as deduction for income tax provided such sum is remitted before the due date of filing income tax returns.
- Definition of 'work' is proposed to be amended to include the supply of manpower, thereby removing the ambiguity and bringing under the category of payment to contractors.
- Withholding tax in respect of interest on the compensation awarded by the Motor Accidents Claim Tribunal to an individual is proposed to be removed.

- The exemption available to an individual in respect of income arising from the redemption of Sovereign Gold Bonds (SGB) issued by the Reserve Bank of India shall be allowed only when SGBs are subscribed by such individual at the time of original issue and are held continuously until redemption on maturity.
- The Finance Bill has proposed to extend the due date of filing return of income from 31 July to 31 August for taxpayers having income from profits and gains from business and profession and whose accounts are not required to be audited under any law, including partner of a firm whose accounts are not audited.
- Time limit for filing revised return is proposed to be extended from 9 months to 12 months from the end of the relevant FY. Fee of Rs 1,000 and Rs 5,000 is proposed to be paid when threshold income is below Rs 0.5 million and above Rs 0.5 million respectively.
- The Finance Bill proposes to allow taxpayers to file updated returns even in case of reduction of loss vis-à-vis claimed in the original return filed within the due date.
- Assessment shall not be invalid merely on account of any mistake, defect or omission relating to the quoting of a computer-generated Document Identification Number (DIN), provided the assessment order is reference by such DIN in any manner in the Income-tax Act, 1961.

Corporate Law Updates

Ministry of Corporate Affairs (MCA) — Statutory Notifications

<u>Changes to Director KYC & Appointment Rules</u>

MCA issued the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025.
• Replaces the annual DIR-3 KYC requirement with a triennial KYC filing cycle (every 3 years) via form DIR-3 KYC Web.
• Directors must still notify changes in mobile/email/residential address within 30 days of change.
• Effective: 31 March 2026 (for transitional transition).

<u>Extension of Effective Dates for Registrar of Companies / Regional Director Notifications</u>

MCA issued Notifications S.O. 6112(E) and 6115(E) on 30 December 2025, revising the effective date of earlier notifications establishing new Registrars of Companies (RoCs) and Regional Director (RD) offices.
• The effective date has been shifted from 1 January 2026 to 16 February 2026.

Securities and Exchange Board of India (SEBI) — Statutory Regulations
<u>Securities and Exchange Board of India (Stock Brokers) Regulations, 2026 — New Broking Framework</u>

SEBI notified and implemented the SEBI (Stock Brokers) Regulations, 2026 (replacing the decades-old 1992 Regulations).

• Date notified: 7 January 2026 (in Official Gazette) – now in force.

• Replaces SEBI (Stock Brokers) Regulations, 1992 with a modernised statutory framework for stock brokers & clearing members.

• Retains regulatory powers over registration, obligations, responsibilities and compliance.

• New definitions and expanded scope (e.g., clearing members, execution-only platforms, market abuse terms).

• Mandatory Indian residency requirement for at least one designated director of stock brokers under the Regulations.

• Broader governance, risk management, and compliance obligations are explicitly included in the statutory text.

<u>Forms and Procedural Specifications (Stock Brokers & Clearing Members)</u>

SEBI issued a notification on 17 February 2026 specifying the forms for registration of stock brokers and clearing members under the Stock Brokers Regulations, 2026.

• This circular's provisions are made retroactive from 7 January 2026 (date of SEBI (Stock Brokers) Regulations).

Reserve Bank of India (RBI) — Statutory Directions & Amendments

Commercial Banks — Credit Facilities (Acquisition Financing)

The RBI issued final directions/amendments on 13 February 2026 under the statutory powers provided in the Banking Regulation Act and related provisions governing capital market exposures.

- Banks are now legally permitted to finance corporate acquisitions up to 20% of their eligible capital base.
- Within this, lenders may provide funds up to 75% of the acquisition value.
- These norms will be effective from 1 April 2026 (for the next financial year) for prudential and capital exposure compliance.
- There are enhanced eligibility criteria (min net worth requirements, profit track record / credit rating standards) and risk safeguards in the final framework.
- The directions amend the applicable RBI prudential norms under the Banking Regulation Act and relevant Banking Supervision standards (Commercial Banks – Credit Facilities Amendment Directions, 2026).

RBI Tightened Capital Market Exposure Norms

RBI also notified changes to how banks provide credit to capital market intermediaries (including brokers):

• Banks must only provide credit to brokers and capital market participants on a fully secured basis (in statutory prudential guidelines).
• This change arises from amendment to prudential exposure rules in RBI's Commercial Banks – Credit Facilities Amendment Directions, 2026.
• The secured credit requirement is statutory once in force under RBI's financial stability regulatory framework.

While the Industrial Relations Code (Amendment) Bill, 2026 was passed by Lok Sabha in February 2026 (to clarify/streamline labour code provisions), it is a Bill passed by Parliament but not yet a notified law if not specified in the Gazette yet — meaning unless it has received Presidential assent and a final notification, it does not yet constitute a statutory change under labour compliance law.

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