

UNION BUDGET

2026-27



(Covers Income Tax, GST, Finance, MSME, Startups and other highlights)

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Union Budget 2026–27 Bulletin

A consolidated summary of key proposals relating to Income Tax, GST, Finance, MSMEs, Startups, and other highlights.

This bulletin presents a consolidated summary of the key proposals announced in the Union Budget 2026–27. It covers important amendments and announcements relating to Income Tax, GST, Finance, MSMEs, Startups, and other relevant areas, as proposed in the Finance Bill, 2026 and supported by official Budget documents.

The contents are compiled on the basis of the Budget Speech, Finance Bill, Memorandum explaining provisions, and Government-issued FAQs, and are arranged in a section-wise manner for ease of reading and reference.

Overview of Union Budget 2026–27

The Union Budget 2026–27 outlines the Government's priorities across economic growth, infrastructure development, fiscal consolidation, and sectoral capacity building. The Budget places emphasis on manufacturing, services, and employment generation through initiatives such as scaling up strategic and frontier manufacturing sectors, creation of Champion MSMEs, infrastructure expansion, City Economic Regions, and targeted support for Tier-II and Tier-III cities.

The Budget includes sector-specific announcements covering MSMEs, startups, financial markets, education, healthcare, tourism, agriculture, women-led enterprises, and emerging technologies. Key initiatives include the SME Growth Fund, liquidity support measures through TReDS, SHE-Marts for rural women-led enterprises, Bharat-VISTAAR, Carbon Capture Utilisation and Storage (CCUS), and High-Speed Rail corridors.

On the financial sector front, the Budget proposes the setting up of a High Level Committee on Banking for Viksit Bharat, and a review of the Foreign Exchange Management (Non-debt Instruments) Rules for foreign investments. The Budget documents also include the FAST disclosure scheme for specified taxpayers in relation to foreign assets, along with other changes impacting businesses, taxpayers, MSMEs, startups, and financial institutions.

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INCOME TAX



Income Tax Highlights

- **Income Tax Act, 2025 to come into effect from 1 April 2026**

The Budget states that a comprehensive review of the Income-tax Act, 1961 has been completed, and the Income Tax Act, 2025 will come into effect from 1st April, 2026. It is also stated that simplified Income Tax Rules and Forms will be notified shortly, giving adequate time to taxpayers to acquaint themselves with the requirements. The forms are stated to be redesigned so that ordinary citizens can comply without difficulty.

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

The Finance Bill, 2026 proposes FAST-DS 2026, a time-bound scheme for voluntary disclosure of undisclosed foreign assets and foreign-sourced income by small taxpayers. The scheme provides for payment of tax or fee based on the nature and source of acquisition and grants limited immunity from penalty and prosecution under the Black Money Act for matters covered by the declaration. Cases involving prosecution or proceeds of crime are proposed to be excluded. The scheme shall come into force from a date to be notified.

- **Minimum Alternate Tax (MAT) -Reforms**

The Budget proposes reforms in the MAT framework to facilitate transition to the new tax regime. From 1 April 2026, MAT shall become a final tax, and the MAT rate shall be reduced from 15% to 14%. Set-off of brought-forward MAT credit shall be allowed only under the new tax regime, limited to one-fourth of the tax liability. MAT credit accumulated up to 31 March 2026 shall continue to be available for such limited set-off.

- **Increase in Securities Transaction Tax (STT) on Futures and Options**

The Budget proposes an increase in Securities Transaction Tax (STT) on derivatives transactions. The STT rate on futures contracts is proposed to be increased from 0.02% to 0.05%. This amendment shall apply in accordance with the provisions specified in the Finance Bill, 2026.

- **Reduction in TCS rates under Liberalised Remittance Scheme (LRS)**

The Budget proposes to reduce the TCS rate to 2% on the sale of overseas tour programme packages, replacing the existing rates of 5% and 20%, without any threshold limit. Further, the TCS rate for remittances for education and medical purposes under the Liberalised Remittance Scheme (LRS) is proposed to be reduced from 5% to 2%.

- **Staggered timelines for filing of Income-tax Returns**

The Budget proposes to stagger the due dates for filing of Income-tax Returns. Individuals filing ITR-1 and ITR-2 shall continue to have the due date of 31st July. In case of non-audit business cases and trusts, the due date for filing returns is proposed to be extended to 31st August.

- **Taxation of buy-back of shares rationalised**

The Finance Bill, 2026 proposes to tax consideration received on buy-back of shares under the head Capital gains, instead of treating it as dividend income. In case of promoters, the effective tax liability on gains arising from buy-back is proposed at 30%, including applicable tax and additional tax. In case of promoter companies, the effective tax liability is proposed at 22%. These amendments shall take effect from 1 April 2026 and apply from tax year 2026-27 onwards.

- **Rule-based automated process for small taxpayers**

The Budget proposes a rule-based automated system to enable small taxpayers to obtain lower or nil TDS certificates without approaching the Assessing Officer. The certificates shall be issued through an electronic and automated process, as prescribed under the provisions of the Income-tax Act, with effect from 1 April 2026.

- **Extended timeline for filing revised Income-tax Returns**

The Budget proposes to allow taxpayers to file a revised Income-tax Return up to 31st March, subject to payment of a nominal fee, as prescribed. This measure is intended to facilitate voluntary compliance within the extended timeframe.

- **Interest deduction on dividend and mutual fund income disallowed**

The Finance Bill, 2026 proposes to disallow deduction of interest expenditure against dividend income and income from units of mutual funds. Accordingly, no interest expense shall be allowed to be set off against such income, withdrawing the earlier limited deduction available. This amendment shall be effective from 1 April 2026.

- **Tax Audit Report -Late filing to attract fixed fee**

Under the Income-tax Act, 2025, failure to file the Tax Audit Report within the prescribed time shall attract a fixed late fee instead of a penalty. A fee of Rs. 75,000 shall be levied for a delay of up to one month, and Rs. 1,50,000 for a delay exceeding one month. This amendment replaces the earlier penalty-based regime and shall be effective from 1 April 2026.

- **Relief from TAN Requirement for Property Purchasers**

Resident individuals or HUFs purchasing immovable property from a non-resident will not be required to obtain a TAN for deducting TDS. Eases compliance for one-time property

transactions Effective from 1 October 2026

• ITR-U Permitted for Loss Returns

Taxpayers will be allowed to file an Updated Return (ITR-U) even where the original return was a loss return, provided the updated return results in a reduction of the loss earlier claimed.

• Employee Contribution to PF / ESI - Deduction Allowed

The Union Budget 2026 proposes that employee contribution to PF, ESI and other welfare funds shall be allowed as a deduction if deposited on or before the due date of filing the Income-tax Return. 1. Aligns the treatment of employee contribution with employer contribution 2. Applicable from AY 2026-27, as provided in the Finance Bill, 2026

• Sovereign Gold Bonds (SGBs) - Capital Gains Exemption Restricted

The Union Budget 2026 proposes that capital gains exemption on redemption of Sovereign Gold Bonds (SGBs) shall be available only to the original subscriber, provided the bond is held continuously till maturity. Subsequent transferees will not be eligible for the exemption. Applicable from Tax Year 2026-27, as per the Finance Bill, 2026.



GST Highlights

- **Post-Sale Discounts - Valuation Simplified**

Requirement of a pre-existing agreement for post-sale discounts is removed. Discounts can be excluded from value of supply if: Credit note is issued by supplier, and Corresponding ITC is reversed by the recipient. Reduces valuation disputes and litigation.

- **Intermediary Services - Place of Supply Rationalised**

Section 13(8)(b) omitted. Place of supply for intermediary services will be determined as per general rule (location of recipient). Services provided to foreign clients qualify as exports / zero-rated.

- **Refund Provisions Streamlined**

Provisional refunds extended to inverted duty structure cases. Removal of threshold limit for sanction of certain refunds. Faster refunds and improved working capital flow.

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FINANCE



Finance Highlights

- **Portfolio Investment Scheme announced**

The Budget announces a Portfolio Investment Scheme to facilitate and streamline portfolio investments, with detailed operational framework and conditions to be notified separately.

- **High-Level Committee on Banking for Viksit Bharat**

The Budget proposes the setting up of a High-Level Committee on Banking for Viksit Bharat to review and recommend measures for strengthening the banking sector, improving financial inclusion, and supporting long-term economic growth. The committee's scope and terms of reference will be notified separately.



MSME Highlights

- **Rs 10,000 crore MSME Growth Fund proposed**

The Budget proposes the creation of a Rs 10,000 crore MSME Growth Fund to provide growth capital and equity support to eligible MSMEs, with the objective of facilitating expansion, innovation, and access to long-term funding.

- **Corporate Mitras Cadre for MSMEs**

The Union Budget 2026-27 proposes the creation of a Corporate Mitras cadre to assist MSMEs in compliance, governance, and regulatory handholding. 1. Aimed at improving ease of doing business for MSMEs 2. Support across incorporation, compliance, and growth stages



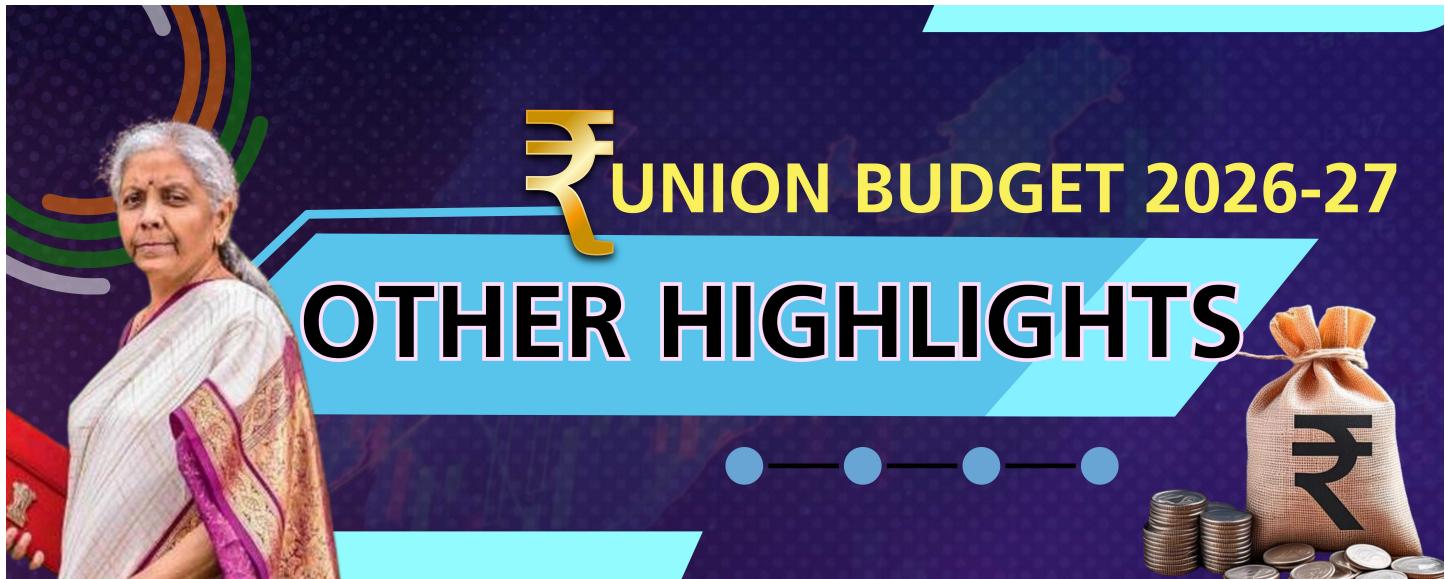
Startups Highlights

• SHE-MARTS for Women Entrepreneurs

The Union Budget 2026-27 proposes the setting up of SHE-MARTS, under which self-help group and women entrepreneurs will operate community-owned retail outlets. These outlets are intended to provide market access and visibility to products made by women-led enterprises.

• Support for Startups and Innovation

The Union Budget 2026-27 reiterates the Government's focus on strengthening the startup and innovation ecosystem, with emphasis on ease of doing business, access to capital, and technology-led growth. The Budget highlights continued support for innovation-driven enterprises as part of India's long-term economic strategy.



Other highlights

• **Indias Reform Express**

The Finance Minister stated that over 350 structural and regulatory reforms have been implemented, including GST reforms, labour law simplification, and rationalisation of quality control requirements. The Government is also working with State Governments to further ease deregulation and reduce compliance burden.

• **Capital Expenditure (Capex) increased for FY 2026-27**

The Union Budget 2026-27 proposes to increase capital expenditure to Rs. 12.2 trillion in FY 2026-27, reinforcing the Government's focus on infrastructure development, asset creation, and long-term economic growth.

• **India records strong economic growth**

The Finance Minister stated that India has witnessed a high economic growth rate of around 7%, reflecting the resilience and momentum of the Indian economy amid global challenges.

• **Yuva Shakti-driven Budget**

The Union Budget 2026-27 is positioned as a Yuva Shakti-driven Budget, with emphasis on employment generation, skill development, entrepreneurship, and opportunities for youth. The Budget highlights measures aimed at leveraging India's demographic dividend to support long-term economic growth.

• **Semiconductor ecosystem development**

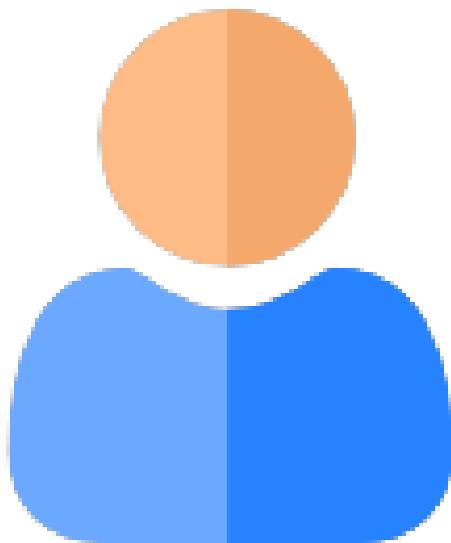
The Union Budget 2026-27 reiterates the Government's commitment to strengthening India's semiconductor and electronics manufacturing ecosystem, with continued focus on domestic manufacturing, supply-chain resilience, and strategic technology capacity building.

• **Content Laboratory proposed**

The Union Budget 2026-27 proposes the setting up of Content Laboratories to support creative content creation and innovation, as part of initiatives to strengthen Indias creative and digital economy.

I. H. Desai & Co.

Our Profile



I H Desai & Co. is a team of distinguished chartered accountants in India. The organization is a congregation of professionally qualified and experienced persons who are committed to add value and optimize the benefits accruing to clients. Our focus has been to build strong customer relationships through its personal touch and its consistency and quality of services. We, follow a client-centric approach and work with our clients as their strategic business partners, rather than as their consultants.

Our mission is to provide unparalleled tax services with a focus on accuracy, timeliness, and client satisfaction. We strive to simplify complex tax regulations for our clients, ensuring compliance and maximizing savings. Our team is dedicated to staying abreast of the ever-evolving tax laws, offering proactive advice and tailored solutions.

Our vision is to be a leading tax firm renowned for delivering exceptional and innovative tax solutions. We aspire to empower our clients with comprehensive, personalized tax

strategies, enhancing their financial health and compliance. We are committed to nurturing a professional environment where trust, integrity, and expertise are the cornerstones.

We specialize in both direct and indirect taxation. From income tax to GST, we offer a one-stop solution for all your tax-related concerns.

Our dedicated team consists of 12 highly skilled professionals. Each member brings a unique set of skills, ensuring that we provide comprehensive solutions tailored to your needs.

Over the years, we have had the privilege of working with a diverse clientele. From small businesses to large corporations, we deliver exceptional service to all.

Our firm is not just about numbers; we believe in building long-term relationships. Trust and transparency are the cornerstones of our practice.

We understand the complexities of the financial landscape and are committed to staying ahead of the curve. Our team is always updated with the latest tax laws and regulations.

Efficiency and accuracy are our hallmarks. Our streamlined processes ensure that we deliver timely and accurate services, every time.

At I. H. Desai & Co., your financial well-being is our top priority. Partner with us and experience unparalleled financial solutions that drive your business forward.

Technology is at the core of our operations. We employ modern software tools and digital platforms to make our services more accessible and efficient for our clients.



SERVICES PROVIDED

Department	Heading	Service
Audit	Auditing Services	Our meticulous auditing practices help you maintain transparency and adhere to financial standards. Our meticulous auditing practices help you maintain transparency and adhere to financial standards.
GST	GST Compliance	From registration to return filing, we handle all your GST needs, ensuring full compliance with laws.
Income Tax	ITR Filing	Personal ITR Filing for individuals.
Trust Registration & Taxation	Formation and Taxation of Trust	We offer services of Formation of Trusts, Societies, Section 8 Companies and offer services of Tax Return Filing, Advisory and Consultancy
Income Tax	Tax Planning	Tax planning for businesses efficiently.
Income Tax	Income Tax Consultancy	We offer expert advice on income tax planning and filing, helping you optimize your tax liabilities.
Personal Finance	Financial Planning	We provide personalized financial planning services aimed at achieving your long-term financial goals.
Business Support Services	Payroll Management	Outsource your payroll to us and focus on your core business activities, while we handle the complexities.
Accounting	Accounting	Monthly Outsourcing of your accounts

We hope you found this Union Budget 2026 bulletin ebook informative and valuable. If you have any further questions or inquiries, please don't hesitate to reach out to us at the following contact details. Your feedback and inquiries are always welcome. Thank you for trusting us to be your source of knowledge and insights.



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