

# INDIAN BUDGET 2026

## AN OVERVIEW



## Budget Projection



## Table of Content

	<u>Pages</u>
<b><u>CUSTOMS ACT</u></b>	
❖ Legislative Changes	02-03
❖ Customs Tariff Changes	04-06
❖ Regulatory & Rule Amendments	07-08
<b><u>GOODS &amp; SERVICE TAX</u></b>	
❖ Legislative Changes	09-11
<b><u>CENTRAL EXCISE</u></b>	
❖ CE Tariff Changes	11-12

## Customs

### A- Legislative Changes:

*The proposed legislative amendments under the Finance Bill, 2026 shall come into effect upon receiving the assent of the Hon'ble President.*

#### **1. Expansion of Customs Jurisdiction of the Customs Act:**

Sub-section (2) of Section 1 of the Customs Act, 1962 is being amended to extend the jurisdiction of the said act beyond the territorial waters of India, for the purpose of fishing and fishing related activities. Hence due to such amendment and extension of the jurisdictions, the Offshore fishing operators and marine businesses may now fall under customs compliance.

#### **2. Amendment in section 28(6) of the Customs Act to consider penalty non-payment as a cause of recovery:**

This amendment brings to clarify the treatment of penalties arising from short levy or non-payment of duty. Under the proposed change, any penalty paid under sub-section (5) of section 28, as determined under the amended sub-section (6), shall be deemed to be a charge for non-payment of duty. This amendment is intended to remove ambiguity on the legal consequence of payment of penalties under section 28 and align the statutory treatment of penalty payments with duty charges, thereby strengthening the enforcement framework under the Customs law.

The importer should be more cautious about delayed payments of penalty, as recovery actions may become faster.

### 3. Time Limit for Validity of Advance Rulings:

Sub-section (2) of Section 28J is proposed to be amended to provide that an advance ruling shall remain valid for a period of five years, unless there is a change in law or in the facts on the basis of which such ruling was pronounced, whichever occurs earlier. This amendment provides a long-term tax certainty to importers/exporter towards planning & investments.

### 4. Transfer of Goods Between Warehouses:

Section 67 has been substituted to provide that the owner of any warehoused goods may remove such goods from one warehouse to another, subject to prescribed conditions.

This amendment seeks to dispense with the requirement of obtaining prior permission of the proper officer for the removal of warehoused goods between customs bonded warehouses, thereby facilitating ease of operations and smoother logistics for importers availing the bonded warehousing scheme.

### 5. Regulation of Custody of Goods at Ports:

Section 84 of the Customs Act is proposed to be amended so as to substitute the words “the examination” with the words “the custody, examination” in clause (b). This amendment seeks to empower the Board to make regulatory provisions relating to the custody of goods imported or intended for export, in addition to their examination, under the regulations framed under this section.

## B- Customs Tariff Changes:

### 1. Extension of the validity of the various Exemption Notifications:

SL NO.	Commodity / Category/ Sector	Corresponding Notification No.	Extended Up to
01	Exemption of Duty on Precious stones imported by post on an “approval or return” basis	Notification No. 248-Cus, dated the 02.08.1976	31st March, 2028
02	Exemption of Duty on goods imported into India for execution of an export order for “jobbing” (i.e., processing or manufacturing on behalf of a foreign buyer where imported inputs are used and resultant goods are exported)	Notification No. 32/1997-Customs dated 01.04.1997	31st March, 2028
03	Exemption of Duty on copper cathodes, wire bars and wire rods falling under Chapter 74.	Notification No. 24/2001-Customs dated 01.03.2001	31st March, 2028
04	Exemption of duty on import of gold and silver falling under Chapter 71 which was extracted out of copper anode slime and the said copper anode slime having been exported out of India for toll smelting or toll processing	Notification No. 25/2001-Customs dated 01.03.2001	31st March, 2028
05	Exemption of duty on import Art, cultural artefacts and antiquities imported for public exhibition and display	Notification No. 29/2025-Customs dated 09.05.2025	31st March, 2028
06	A single Unified Notification for comprehensive consolidation and rationalisation of customs duty exemptions Notification under Customs Act.	Notification No. 45/2025-Customs dated 24.10. 2025	Refer Notification No. 02/2026-Customs dated 01 <sup>st</sup> Feb, 2026  (Separate time line and validity has been prescribed for each SL.)

07	Exemption of Duty on import of critical minerals	Notification No. 36/2024 Customs dated 23.07.2024	Various entries Omitted and validity of the notification restricted till 30 <sup>th</sup> April, 2026.
----	--	---	--

## 2. Surcharge and Personal Imports (Effective April 1, 2026)

The Budget introduces targeted rationalization in customs duties, with relief for personal imports and selective adjustments in surcharge and cess structures:

### ➤ Personal Imports (Heading 9804):

The Basic Customs Duty (BCD) on all dutiable goods imported for personal use has been reduced from 20% to 10%, significantly lowering the cost burden on individuals.

### ➤ Social Welfare Surcharge (SWS):

- SWS @ 10% (on the aggregate Basic customs duties payable) is now **specifically applicable to dutiable goods imported for personal use** under Heading 9804.
- **Exemption from SWS** has been granted on **parts used in the manufacture of electronic toys**, supporting domestic manufacturing.

### ➤ Agriculture Infrastructure and Development Cess (AIDC):

A new AIDC at the rate of 0.5% has been introduced on specified pneumatic rubber tyres used in aircraft, marking a sector-specific levy.

### 3. Extending Import duty exemption on import of certain goods towards Manufacturing of specific Item:

- The exemption against the SL 69A pertaining to import of 57 Nos. of capital Goods for manufacturing of “Lithium-Ion Cells” for batteries of Electrically Operated Vehicles has also been extended to the manufacture of “Lithium-Ion Cells for Battery Energy Storage Systems (BESS)”.
- BCD on sodium antimonite used in manufacturing solar glass is reduced from 7.5% to Nil.
- Exemption towards Goods imported by specified person, in relation with petroleum operations or coal bed methane operations undertaken as mentioned in SL 229 of Notification No. 45/2025 has been extended till 31<sup>st</sup> March, 2028.
- Benefit of IGCR scheme for various project as specified in Notification No. 45/2025 has been extended till 31<sup>st</sup> March, 2028.
- BCD is reduced from 7.5% to Nil for all goods and control rods used for nuclear power generation.

## C- Regulatory & Rule Amendments:

### 1. Deferred Duty Payment Scheme Expanded from 15 days to 30 days:

The deferred duty payment scheme is being expanded with a revised duty payment schedule from 15 days to 30 days basis for eligible importers w.e.f. 1<sup>st</sup> march, 2026 and this facility is extended till 31<sup>st</sup> march, 2028. Further, the said amendment also introduced a new class of eligible importers i.e. “Eligible Manufacturer Importer” to improve liquidity and ease of doing business.

The revised payment cycle has been defined as follows:

- For goods corresponding to BOE returned for payment from 1st day to the last day of any month other than March, the duty shall be paid by the 1st day of the following month
- For goods corresponding to Bill of Entry returned for payment from 1st day to 31st day of March, the duty shall be paid by 31st March.

### 2. Replacement of the Existing Baggage Rules:

The Baggage Rules, 2016 are proposed to be superseded with a view to rationalising passenger-related provisions at airports and restructuring transfer of residence benefits based on the duration of stay abroad. The new Baggage Rules, 2026 aim to simplify duty-free allowances and procedural requirements, thereby facilitating ease of compliance for international travellers.



### 3. Automation of Customs processes in import and export:

To enhancing trade facilitation, transparency and ease of doing business, the following measures have been taken by the board:

- Automatic goods registration and auto Out-of-Charge (OOC) in imports for specified categories of importers, including AEO entities (T2 & T3 entities), eligible manufacturer-importers, importers with established supply chains and those availing Direct Port Delivery in place of the existing web-based goods registration.
- Enabling online goods registration for exports, including a pilot for e-seal-based auto goods registration for sealed export cargo,
- Introduces Auto Let Export Order (LEO) for facilitated shipping bills based on risk-based assessment.

These measures aim to reduce physical interface, streamline procedures, improve predictability, and ensure faster clearance of goods, while retaining the ability of Customs officers to intervene on the basis of risk and intelligence.

## Goods & Service Tax

### A-Legislative Changes

*The proposed legislative amendments under the Finance Bill, 2026 shall come into effect upon receiving the assent of the Hon'ble President.*

#### **1. Amendment of Section 15 of CGST Act:**

Section 15(3)(b) has been substituted to provide that a discount given after the supply has been effected shall be excluded from the value of supply only if a credit note in respect of such discount is issued by the supplier and the input tax credit attributable to such discount has been reversed by the recipient in accordance with the provisions of section 34.

This amendment makes reversal of ITC a mandatory condition for excluding post-supply discounts from the value of supply. It removes ambiguity, prevents double benefit of discount and ITC, and aligns valuation provisions with the credit note mechanism under section 34.

#### **2. Amendment of Section 34 of CGST Act:**

The amendment to section 34(1) allows a supplier to issue a credit note when a post-supply discount under section 15(3)(b) is given. This clearly enables reduction in the value of supply through a credit note, subject to reversal of corresponding input tax credit.

This amendment provides explicit legal backing for issuance of credit notes for post-supply discounts and ensures consistency between valuation and credit note provisions.

### **3. Amendment of Section 54 of CGST Act:**

Section 54 of the CGST Act, 2017 is proposed to be amended to rationalise the refund framework. Sub-section (6) is proposed to be amended to expressly include refund of unutilised input tax credit in case of inverted duty structure in the same mechanism as applicable to refund of ITC in case of zero rated supply and thereby sanction 90% of refund claimed on provisional basis.

Further, sub-section (14) is amended to remove the monetary threshold for sanction of refunds in respect of goods exported out of India on payment of tax. This change seeks to strengthen revenue safeguards by discontinuing provisional refunds for export-with-payment cases, ensuring refunds are granted only after due verification.

Overall, the above amendments provide statutory clarity and certainty in respect of refunds arising from inverted duty structures, while simultaneously tightening the refund mechanism for exports to mitigate risks of erroneous or premature outflow of revenue.

### **4. Introduction of New sub-section (1A) in section 101A of CGST Act:**

Section 101A of the CGST Act, 2017 is proposed to be amended by insertion of sub-section (1A) to enable the Central Government, pending the constitution of the National Appellate Authority, to notify and empower an existing authority to hear appeals under section 101B.

This amendment addresses the long-pending issue of the non-functioning National Appellate Authority for Advance Ruling (NAAAR). Due to the absence of this authority, taxpayers have faced conflicting advance rulings from different States with no effective appellate remedy. The amendment allows the Government to notify an alternative appellate authority most likely be the GST Appellate Tribunal (GSTAT). This change ensures continuity in the advance ruling

appeal process, promotes uniformity in GST interpretations across States, and provides greater certainty and clarity to taxpayers.

## 5. Amendment in Section 13 of the IGST Act:

Omitting of sub-section (8), clause (b) of section 13 of the IGST Act i.e. removing the provision which deemed the place of supply of intermediary services to be the location of the supplier. Post the said amendment, the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, 2017 i.e. the location of the recipient of such services. This will help Indian exporters of such services to claim export benefits.

## Central excise

### A- Excise Tariff Changes:

- NCCD Schedule rates on chewing tobacco (HS 2403 99 10), Jarda scented tobacco (HS 2403 99 30) and other tobacco products including Gutkha (HS 2403 99 90) will be increased from 25% to 60% w.e.f 01.05.2026.
- The Central Excise authority has brought two significant amendments which collectively rationalise the existing excise duty framework on petroleum and energy-related products. As per the said amendment, the earlier notification of the central excise pertaining to provide a concessional Central Excise duty for Compressed Natural Gas (CNG) when blended with Biogas or Compressed Biogas (CBG) has been rescind. Simultaneously, the validity of specified concessional excise entries has been extended up to 31 March 2028, providing certainty to the affected sectors.

Further, a new entry has been introduced to levy excise duty at 14% on Compressed Natural Gas (CNG) when blended with Biogas or Compressed Biogas (CBG), while explicitly excluding the value of the biogas/CBG component and the GST paid thereon from the assessable value, thereby preventing cascading of taxes. Overall, these measures reflect a calibrated policy approach aimed at simplifying the excise regime, ensuring revenue neutrality, promoting cleaner fuel alternatives, and reducing interpretational ambiguities and litigation.

*Disclaimer: This document pertaining to the Analysis of the Union Budget- 2026 is for informational purposes only and does not constitute professional advice or opinion. It is not intended to create a consultant-client relationship or serve as an advertisement or solicitation. BTA assumes no responsibility for errors or omissions. The Analysis done and views expressed with this documents are personal to the authors.*