

## Union Budget 2026

### USISPF Major Advocacy Wins

#### I. Direct Tax

##### 1. Simplification & Modernization of Tax Framework

- **New Income Tax Act, 2025 Effective April 1, 2026**  
A modernized and simplified direct tax law replacing the existing framework, aimed at reducing ambiguity, minimizing litigation, and aligning tax administration with global best practices.
- **Notification of New Rules and Forms**  
Updated procedural rules and forms will accompany the new Act, ensuring smooth compliance for all taxpayers during the transition – **to be released shortly.**

##### 2. TDS/TCS Rationalization & Compliance Ease

- **TCS on Overseas Tour Packages Reduced to 2% (No Cap)**  
Eases upfront compliance for foreign travel, reducing cash flow burden for individuals and corporates.
- **TCS on Remittances for Education and Medical Expenses Reduced to 2%**  
Supports legitimate overseas education and healthcare spending with a simplified and predictable tax collection mechanism.
- **Automated Nil/Lower TDS Certificates for Small Taxpayers**  
Eliminates the need to approach assessing officers, enabling small taxpayers to comply quickly and efficiently through an automated, rule-based process.

##### 3. Transfer Pricing – Safe harbour Rules & Advance Pricing Agreement (APA) Announcements

- **Revamped Safe Harbour Regime for IT and Knowledge Services**
  - **Software development, IT-enabled services, knowledge process outsourcing, and contract R&D** grouped under a single **Information Technology Services** category.

- Threshold increased to **INR 2,000 crores**, expanding access to larger taxpayers.
- **Unified margin of 15.5% proposed** - Validation via **automated rule-driven process**, providing certainty and reducing discretionary assessment.
- Encourages investment, simplifies compliance, and lowers litigation risk for IT and knowledge services companies.
- **Advance Pricing Agreement (APA) Reforms**
  - **Fast track window for unilateral APAs for IT service companies – targeted closure within two-year**, accelerating dispute resolution.
  - **Modified return filing allowed by Associated Enterprises (AEs) in cases where AE is not a party to the APA** – may enable claiming refunds of excess tax withheld based on APA outcomes.

### Key Takeaways

- **Compliance Ease:** Automated certificates, extended timelines, and simplified TCS/TDS frameworks reduce procedural burden.
- **Litigation Reduction:** Clear definitions, Safe Harbour, and APA reforms provide certainty and minimize disputes.
- **Global Competitiveness:** IT sector Safe Harbour and APA enhancements attract multinational investment and support India's IT leadership.
- **Fairness & Equity:** Exemptions and immunity for small taxpayers and motor accident claims ease financial burdens on individuals.

## II. Goods and Services Tax

1. **Export rule liberalisation by way of deletion of 'intermediary' provisions:** Amendment proposed to section 13(8) of IGST Act to delete clause (b) relating to intermediary services. Now, the place of supply for "intermediary services" will be determined as per the default provision, i.e. under section 13(2), i.e., the location of recipient of such services. This is a welcome amendment and is intended to give legal backing to the announcement made in the 56th Council meeting. This move will unlock export benefits for Indian service providers and significantly reduce litigation.
2. **Simplification of post-supply discount provisions** - Amendments proposed in section 15 and section 34 of the CGST Act, 2017 to omit the condition that

discounts must be pre-agreed and linked to invoices and allowing businesses to offer such discounts by issuing a GST credit note. This is a welcome amendment and a win for the FMCG companies. This will allow businesses to offer discounts flexibly, based on actual sales performance or market conditions.

- 3. Simplification of inverted duty structure refunds** - Amendment proposed to section 54(6) of CGST Act, 2017, to extend the provisions of provisional refund to refunds arising out of inverted duty structure.

### **III. Customs**

#### **1. Single-Window Compliance**

- Integration of PGAs under SWIFT 2.0 is being carried out in a phased manner. Five key PGAs involved in live Customs clearances, namely FSSAI, AQCS, PQMS, CDSCO and WCCB, are targeted for complete integration on or before 31.03.2026. All remaining identified PGAs will be onboarded progressively, with full coverage planned by 31.03.2027.

#### **2. Strengthening the SEZ Framework to Promote Domestic Manufacturing and bringing trade facilitation**

- To address the concerns arising about utilization of capacities by manufacturing units in the SEZ due to global trade disruptions, it is proposed, as a special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports. Necessary regulatory changes will be undertaken to operationalize these measures while ensuring level-laying field for the units working in the DTA.

#### **3. Further automation and simplification of custom clearance, for all goods**

- Auto goods registration and auto out of charge is introduced for optimization and contactless processing, making import process efficient. The said facility would be provided to AEO Tier 2 and Tier 3 entities, approved eligible manufacturer importers, importers having longstanding supply chain, and importers availing facility of direct port delivery, where there is no compliance requirement.

#### **4. Extension of Automatic Let Export Order (LEO) Facility to AEO-Tier II and III Exporters**

- Auto LEO will be granted automatically by the system for eligible Shipping Bills based on risk treatment. Auto LEO will be available for all exporters for Shipping Bills that meet all of the following conditions like, Shipping bill is not selected for assessment or examination, No PGA-related NOC required, and Duty/cess is fully paid, if applicable.

#### **5. Lack of Clear Guidelines for Return-to-Origin (RTO) Shipments**

- Reforms in RTO is proposed which seeks to introduce a clear legal and procedural framework for returning unclaimed or uncleared international courier shipments to the foreign sender. The reform would empower Customs to frame regulations on custody of courier shipments and enables RTO. This will result in decongestion of warehouses, quicker handling of uncleared parcels, and reduced administrative burden.

#### **6. Data Integration from ICEGATE portal to DGFT**

- Customs Integrated System (CIS) to be rolled out in two years as a single, integrated and scalable platform for all the customs processes.
- CIS will enable seamless electronic data exchange with GSTN, DGFT, RBI, and other PGAs.