Experts react to Indirect Tax/GST proposals in Budget 2026

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**Sr. Advocate Sujit Ghosh**

"The budget is progressive by all means. Ammendments made under GST qua Intermediary services, post sale discounts and creation of a tie breaker advance ruling authority, shows the State's keenness to reduce litigation and offer certainty for the Tax Payer. Significant outlays for capital expenditure is likely to boost the economy. Focus on the Semi conductor industry was a great step to March into the future and reduce over dependence on the volatile US hegemony ! Significant outlays for the SME sector is another progressive step towards augmenting the "atmanirbhar" initiative of the Government."

**Rohit Jain (Deputy Managing Partner, ELP)**

Union Budget 2026 recognises that global headwinds—protectionist tariffs, supply-chain realignments, and evolving trade agreements such as the India–EU FTA—are now the defining economic context. The Budget consciously avoids disruptive tax changes, instead prioritising stability, policy certainty, and administrative reform. By focusing on reducing ambiguity, litigation, and compliance friction, it signals that in a volatile global environment, predictability itself is a strategic economic asset. For investors, this is a reassuring signal: India is not gambling on temporary sops but is trying to create a long-term policy ecosystem with predictability over populism. More than headline announcements, this Budget is about building a resilient, long-term policy framework aligned with an increasingly interconnected global economy.

**Charanya Lakshmikumaran (Executive Partner at Lakshmikumaran and Sridharan Attorneys)**

The GST changes in Budget 2026 are largely in line with the recommendations of the GST Council in its 56th meeting. The proposed amendment in Section 15(3)(b) of the CGST Act, 2017 has done away with the requirement of establishing discounts in terms of a pre-existing agreement. This change is likely to reduce valuation disputes on this account thereby, giving big relief to taxpayers including FMCG, cement & steel industry.

Another welcome change is amendment to Section 54(6) of the CGST Act. By way of this amendment, the provisional refund of unutilized credit accumulated due to inverted duty structure has been proposed. This is a welcome move as it can unlock working capital and ease cash flow issues for business, as taxpayers can receive ninety percent of refund on provisional basis.

There is also a proposal whereby the Government may empower any existing Authority (which may include a Tribunal) to hear appeals till the time National Appellate Authority for Advance Ruling is constituted. This arrangement, though temporary, is likely to bring clarity in cases where there are contradictory rulings by the Advance Ruling Authority/Appellate Authority.

Finally, Section 13(8)(b) of the IGST Act, 2017, which dealt with the place of supply of intermediary services, is omitted. This amendment is a welcome move as export of services were usually disputed by the department by resorting to intermediary services.

**Ritesh Kanodia (Partner, Aurtus Legal LLP)**

“ As expected, there are no significant changes from an Indirect tax perspective. On the Customs front, the Government has proposed a series of measures to significantly enhance trade facilitation and simplify customs processes for importers and exporters. Leveraging AEO accreditation as the basis for key procedural benefits is expected to enable faster and more seamless clearances for trusted operators. A more taxpayer-friendly framework is reinforced by treating penalties as a ‘charge’, while business predictability is strengthened through the extension of Advance Ruling validity from three years to five years. Further simplification of tariff structures will help minimise classification disputes. In addition, eligible SEZ units will now be permitted to sell goods in the Domestic Tariff Area (DTA) at concessional customs duty rates, up to a specified percentage of their exports. In the context of global economic uncertainty and tariff-driven disruptions, this provides much-needed relief to SEZs grappling with inventory build-ups and underutilised capacity. These initiatives will be supported by the rollout of the Customs Integrated System (CIS), a unified digital platform designed to streamline customs processes and improve the ease of doing business. That said, an announcement of an amnesty scheme for past periods would also have been timely and beneficial.”

On the GST front, the 56th GST Council meeting has also recommended significant reforms to the GST law, and the 2026 Budget has now operationalised changes that required amendments through the Finance Bill. Notably, the clarification on the ‘intermediary’ provision for export of services will help reduce litigation for service exporters, while reinforcing the fundamental principle that taxes should not be exported. Other proposed amendments include aligning the provisions for issuing credit notes for discounts—requiring corresponding credit reversal by the recipient—extending provisional refunds to cases involving inverted duty structures, and empowering existing Tribunals to hear matters of the National Appellate Authority for Advance Rulings until it is formally constituted.”

**Gunjan Prabhakaran (Partner, DS Advocates)**

"The Budget has introduced a slew of amendments in the Income Tax Act proposed to be effective from 1 April 2026. From an indirect tax standpoint, this budget focuses on further rationalisation of Customs duties and exemptions, extension of validity of advance ruling, introduction of new tariff lines. A detailed review will help assess the real sector wise impact. The Union Budget towards measures for ease of doing business, focuses on introduction of Single and interconnected digital window for cargo clearance approvals and roll out of Customs Integrated System (CIS) in 2 years. On GST, no significant amendments other than delinking of post-sale discounts with an agreement and amendment to treat place of supply for 'intermediary services' as per the default Section 13(2) of the IGST Act."

**Kunal Savani (Partner, Cyril Amarchand Mangaldas)**

"By migrating effective rates from scattered notifications into the tariff schedule itself, the government is attacking one of trade law's chronic inefficiencies, interpretational opacity and replacing it with legislative certainty that exporters and importers have demanded for years.

Extending duty exemptions for nuclear and advanced energy infrastructure until 2035 is less a tax concession and more a long-term policy covenant, it assures investors that India's energy security ambitions will not be undermined by short-term fiscal oscillations.

The aviation and electronics measures reflect a textbook application of tariff engineering insulating domestic value addition while neutralizing duties on essential inputs a balance that strengthens manufacturing without sliding into protectionist excess.

Digitized clearances, AI-enabled scanning, and warehouse operator-centric reforms together represent the quiet revolution in this budget; transaction time, not tariff rate, is increasingly the decisive tax in international trade.

Government of India has now offered a long term & stabilised tax holiday till 2047 for foreign companies providing cloud services through Indian data centers. This is a significant shift in how India wants to position itself in global digital ecosystem. This also incentivises the set up of local infrastructure along with higher investments in high value digital assets."

**S. R. Patnaik (Partner (head - taxation), Cyril Amarchand Mangaldas)**

"This customs package is not a routine rate adjustment; it is a structural recalibration of India's tariff philosophy pruning legacy exemptions, correcting duty inversion, and aligning border taxation with an unapologetically pro-manufacturing industrial policy."

"The export-linked relaxations for marine, leather, and textile sectors are fiscally modest but strategically sharp; they lower working capital friction while signalling that India intends to compete on speed, scale, and predictability in global value chains."

"The energy transition proposals reveal a deliberate customs strategy: remove fiscal bottlenecks on battery storage, solar inputs, and critical minerals so that the green economy is not throttled at the border by outdated tariff architecture."

"On the procedural side, the shift toward AEO-driven trust architecture marks a philosophical pivot in customs administration from suspicion-based enforcement to compliance-based facilitation which is how mature trading nations operate."

"The one-time SEZ relief is an acknowledgment of geopolitical reality: when global supply chains fracture, domestic policy must absorb the shock. Allowing calibrated DTA sales is a pressure valve that preserves industrial capacity without diluting the SEZ framework."

“Perhaps the most progressive element is the dispute-settlement posture: permitting closure through calibrated payments recognizes that tax administration must distinguish between evasion and disagreement, and that certainty is often more valuable than prolonged litigation.”

Rajat Chhabra (Partner – Tax Taxcraft Advisors LLP)

“The Union Budget 2026–27 strikes a measured balance between growth imperatives and fiscal discipline. The government has stayed the course on fiscal consolidation while significantly stepping up capital expenditure to drive infrastructure development, employment generation, and manufacturing growth under the ‘Viksit Bharat’ vision.

From an indirect tax standpoint, the Budget is distinctly pro-trade and pro-business. On the Customs side, it focuses on rationalisation of duties, targeted exemptions for key manufacturing and export-oriented sectors (with notable support for battery energy storage systems and aircraft component manufacturing) alongside a strong push towards digitisation, single-window clearances, and risk-based processes.

Importantly, the Budget proposes greater flexibility for SEZ units to sell into the Domestic Tariff Area at concessional duties, with limits linked to export performance. This provides more predictable access to the domestic market while preserving the export-led character of SEZs. In addition, the customs warehousing framework is set to be modernised through self-declarations, electronic tracking, and risk-based audits. Overall, customs policy seeks to support manufacturing and exports while simplifying procedures, in line with the ‘Make in India’ and export-competitiveness objectives.

On the GST front, the emphasis is clearly on reducing litigation and improving cash flows. Proposed amendments seek to address long-standing issues relating to discounts, place of supply for intermediary services, and faster refunds — particularly benefiting exporters and MSMEs.

Taken together, the Budget sends a strong signal of enhanced ease of doing business, improved export competitiveness, and a more simplified and predictable tax administration.”

Lalitendra Gulani (Managing Partner at ANANTHAM Legal)

"The Union Budget 2026 presented in the background of an uncertain international trade environment, was anchored by kartavyas (duties) of the Government and guided by the broader objective of Atmanirbhar Bharat. In the current global economic and geopolitical environment, international supply chains have witnessed unforeseen disruptions due to protective policies, tariff wars, politically motivated export control regimes to control the flow of critical minerals. The Budget aims for self-reliance and reduction in external supply chain dependencies, while unlocking the potential of both legacy industries and emerging sectors.

On the indirect tax front, the Government has undertaken a review of the customs tariff structure to promote domestic manufacturers and ease the compliance burden. Certain customs duty exemptions have been withdrawn for goods with low import volumes, signalling an intent to rationalise exemptions. This is accompanied by targeted customs duty relief to support clean energy and strategic manufacturing. These measures include exemption on import of capital goods for use in manufacture of lithium-ion cells for battery energy storage systems, sodium antimonate for solar glass production, monazite for high- performance magnets used in electric vehicles, and capital goods required for processing critical minerals within India. These measures are expected to lower input costs and strengthen domestic capabilities in renewable energy and advanced manufacturing.

Several trade facilitation measures have been announced to promote ease of doing business and trust-based governance. These include increase in the duty deferment period for Tier-2 and Tier-3 Authorised Economic Operators from 15 to 30 days. The automatic recognition of regular and trusted importers within the customs risk management system further aims to reduce compliance burden. The use of single digital platform catering to all import and export compliances and extension in validity of advance rulings from three years to five years will increase transparency, minimise human intervention and enable predictable business planning, resulting in furthering the cause of ease of doing business.

On the GST front, the Government has proposed statutory amendments in line with the recommendations of the GST Council meetings. Except for the proposed amendment relating to the place of supply for intermediary services, the remaining amendments are to be notified and implemented subsequently. Overall, the Union Budget 2026 is focused on recognising and strengthening domestic capabilities, improving regulatory processes, and reinforcing India’s long-term commitment to economic self-reliance and resilience."

Aditya Bhattacharya (Partner, King Stubb & Kasiva, Advocates & Attorneys)

"The Union Budget 2026 marks a calibrated shift in India’s indirect tax policy, with a clear emphasis on simplification and trade facilitation. The rationalisation of customs duty on goods imported for personal use, from 20% to 10% - is a notable step that reflects the government’s intent to reduce tariff friction and align India’s customs framework with global practices. “This move significantly eases the tax burden on individual importers and frequent travellers, while also reducing classification disputes and valuation-related litigation at the border,” says Aditya Bhattachary, Partner, King Stubb and Kasiva, adding that the measure reinforces the Budget’s broader ‘ease of living’ objective.

On the GST front, while the Budget stops short of major rate restructuring, the continued focus on procedural streamlining, compliance simplification, and dispute reduction is equally significant. “The government’s approach indicates a preference for stability over disruption in GST, with incremental reforms aimed at improving administrative efficiency rather than altering the rate structure.
Together, the customs and GST measures signal a mature indirect tax strategy, one that prioritises certainty, lower litigation, and smoother movement of goods without compromising revenue considerations".

Harpreet Singh, Partner, Indirect Tax, Deloitte

Union Budget 2026 has been presented against the backdrop of global headwinds and supply-chain realignments. Key indirect tax announcements include changes to customs duty rates, non-tariff reforms, and modifications to customs schemes such as AEO and SEZ. The Budget also formalised proposals earlier announced by the GST Council.

From control-based to trust-based, Customs is being reimagined for modern trade. The reforms are guided by three clear objectives, simplifying the tariff structure, strengthening domestic manufacturing, and enhancing India’s export competitiveness.

Extending duty exemption on goods used in the manufacture of lithium-ion cells/ battery, sodium antimonate used in the production of solar glass, goods required for all nuclear power projects till the year 2035, etc. are aligned with India’s energy transition and manufacturing goals. Amid global trade disruptions leading to capacity utilisation challenges, SEZ has been allowed to sell to DTA at concessional rate (subject to limits) as a one-time measure.

The customs clearance framework is set to increasingly rely on risk-based assessments, electronic sealing of containers, AI-enabled non-intrusive scanning and a warehouse operator-centric compliance model. Also, announcement was made on the Customs Integrated System being rolled out over next two years as a single, integrated, and scalable platform covering all customs processes. A unified Customs Integrated System will enhance transparency, reduce discretion, and significantly improve ease of doing business.

These proposed customs reforms mark a decisive shift towards risk based, technology enabled trade facilitation, aligning India’s border processes with global best practices

Other significant non-tariff trade facilitation reforms include:

- Duty deferral benefits for AEO (T2 & T3) have been enhanced from 15 days to 30 days.
- Validity period of advance ruling from 3 to 5 years to provide greater certainty.
- Movement of goods between bonded warehouses without approval of officer but through system-based intimations and digital records.

On GST, following legislative amendments have been proposed in line with the GST Council recommendations:

- Removal of the complexity surrounding export of “intermediary” services. This was a long-standing industry demand. The amendment would now pave the way for liberalisation of export-related rules (bringing to rest an already existing litigation over INR 3,300 Cr.). This reform aligns GST with the principle of taxing services at the place of consumption, allowing more Indian service providers to qualify as exporters, while also increasing the tax burden under reverse charge on Indian businesses availing similar services from overseas.
- Amendments to the valuation provisions relating to discounts would help many taxpayers by removing interpretational ambiguities, particularly in the consumer, automobile sector where discounting schemes are central to marketing strategies and sales growth. However, clarity is awaited on whether the relief will apply retrospectively, which could help resolve ongoing litigation.

Conclusion

As the recent economic survey highlighted, India’s economic ambitions are confronting powerful global headwinds. Same forces can be turned into tailwinds by focusing on domestic manufacturing and self-reliance. To put it simply, India must run a marathon and sprint simultaneously or run a marathon as if it were a sprint. With positive intended tax reforms, India industry is hopeful for a major leap, in line with our ambition and journey towards 'Viksit Bharat'.


Dr. Ravindran Pranatharthy (Advocate)

Tell the World India is coming

The budget unveiled this year has all the circumstantial insignia of a crisis budget or even a wartime budget no less, though the crisis atmosphere was not enlisted in support of the presentation.The Trumpian broadside weaponizing the customs tariffs in pursuit of hard, unacceptable imperialistic objectives has made the Indian Customs tariffs ripe for a kind of policy reset that would have been hardly imagined even two or three years back.

The unspoken crisis atmosphere The Indian economy needs to earn export revenue from merchandise more to pay for imports of crude oil, gold and foreign weapons imports. The general economy can otherwise go along on the strength of the vast, continent-sized population keeping up the gigantic internal economy. The punitive Trump tariffs threatened to dry up a significant portion of the export trade over the short term. The tariff war against India by

a sole world power has had another unsettling effect. The Western investors pulled a lot of money out over the feared effect on the economy. The investment climate has become clouded. The rupee has known only to fall since then. Such was the setting for this budget. The govt has to be appreciated for several swift moves in stemming the fall-out. The quick conclusion of free trade pacts with UK and the EU would cushion the blow substantially though US pressure on the UK and the EU to come undone on the deal with India should be expected. The two deals have enough sweeteners for the Europeans which cannot be compensated by the Americans especially given the fact that thevEuropeans have seen through the nefarious imperial ambitions of the US now. If they are wise they would keep the trophys of FTA with India intact for decades to come. The FTAs appear to facilitate India to divert the lost US trade and

keep the momentum of merchandise and service experts going. Geopolitical shifts are hard to predict. Ofcourse in International relations when one door closes another would open. Given this backdrop, the FM has done well to prepare India for the newly-configured FTA based world trade. That's how the Customs policy changes have to be understood.

Customs steps that facilitate trading and cut costs on export logistics

1. Extension of the validity of advance rulings to 5 years or till a change in the law or facts whichever is earlier. The EU firms would like this stability and clarity.

2. Fishing business of Indian flagged vessels beyond the territorial waters of India to be free of duty and to treat fish moved to foreign ports as export.

3. Removal of warehoused goods between warehouses to be made faster by removing prior customs permission.

4. Reduction in BCD across the HSN that would enthuse the trading partners of Bharat who could be expected to do likrwise for Indian exports.

5. Steps contemplated for quicker scan and faster Customs clearances at ports and airports. The promise of integrated customs management across the country for customs transactions. Trading houses would welcome this particular lubricating facilitator.

GST

1. The place of supply rule changed intermediary services that would facilitate scope for the export businesses of intermediaries.

2. Post sale discounts recognised for tax change thro credit notes. Trade facilitator.

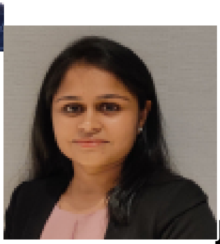
3. Scope for ITC refunds made wider.

4. Export refunds made easier.

Conclusion

The message of go- fast and spend less time and cost is written over the trade facilitation measures. More measures are in the pipeline. The FTA business is no easy walk in the park Trading rewards quickness and transparency. India is headed well in that direction. But as I would love to keep reminding

India needs visible leaps in productivity and cost-cutting in the era of FTAs. That productivity challenge still remains.



Jigar Doshi (Founding Partner – TMSL, Co-Founder – Incorp India) and **Nikita Maheshwari (Director, TMSL)**

"As aptly observed in the Economic Survey, India is running a marathon and a sprint simultaneously - balancing the need for sustained domestic growth with absorbing immediate geopolitical and economic shocks. The Union Budget 2026 appears to move firmly in this direction, reinforcing the vision of Atmanirbhar Bharat while keeping Viksit Bharat at the core.

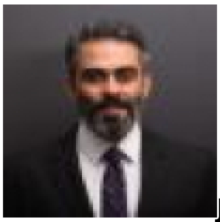
As anticipated following the 56th GST Council meeting, the GST landscape remained relatively quiet, with no major surprises. That said, two long-awaited amendments have finally found their way into the Finance Bill and are expected to be incorporated into GST law shortly—(i) removal of the requirement to link post-supply credit notes with prior agreements and invoices, and (ii) alignment of the place of supply for intermediary services with the location of the recipient. While these changes are welcome and long overdue, they come with important operational considerations. Notably, the framework increases dependence on recipients, as a supplier's tax adjustment will now be contingent on the recipient accepting the credit note and reversing ITC through the Invoice Management System. In cases of rejection, the financial exposure remains with the supplier.

Further, the constitutional validity of the intermediary provisions continues to await final determination by the Hon'ble Supreme Court in the case of Dharmendra Jani. If upheld, the industry would benefit from the legislative amendment treating intermediary services as exports. Conversely, if struck down, taxes already paid could assume the character of excess payments and become eligible for refund.

Another welcome development is the proposal to empower the Government to appoint an interim authority to resolve conflicting advance rulings. This is a much-needed intervention, especially in light of divergent rulings—such as on the classification of flavoured milk and parotha—which have undermined certainty in the tax regime.

From a Customs perspective, the Budget was far more active. While industry expectations for a customs amnesty scheme remained unaddressed, the extension of advance ruling validity by two years offers some relief. More importantly, the Budget proposes a host of trade facilitation and regulatory simplification measures, along with targeted benefits for individuals, including reductions in BCD on personal imports and liberalisation of baggage rules.

A strong emphasis on technology and process reform is evident through initiatives such as a warehouse operator-centric model supported by self-declarations, electronic tracking, and risk-based audits; the rollout of a unified Customs Integrated System; AI-based non-intrusive cargo scanning; and integration of multi-agency cargo clearance approvals into a single digital window by year-end. Collectively, these measures signal a decisive shift towards reduced officer dependency, enhanced efficiency, and improved ease of doing business."



Jitendra Motwani (Partner, Trilegal)

Budget 2026 marks a clear shift towards a trust-based and facilitative tax and customs regime. From overhauling the Baggage Rules with higher duty-free limits and settlement in lieu of penalty, to easing customs clearance through digital integration and AI-enabled systems, the focus is firmly on reducing litigation for honest taxpayers. The extension of advance ruling validity to 5 years will promote uniformity of views whereas the benefits provided to the fishing sector will lead to sector competitiveness. Relief on post-sale discounts will be welcomed by the trade, a 30-day dispute settlement mechanism without penal consequences collectively reinforce the Government's commitment to ease of doing business and investor confidence.

Prabhat Ranjan (Sr.Director, Indirect Tax - Nexdigm)

The Hon'ble Finance Minister today presented her 9th Union Budget for FY 2026–27, unveiling a comprehensive suite of Indirect Tax reforms. The said reforms are mainly designed to streamline India's customs framework, incentivize domestic manufacturing, enhance export competitiveness, and accelerate the country's transition toward a trust-based, technology-driven trade ecosystem—aptly termed "**Customs 2.0**"

This year's Budget balances short-term targeted relief measures with long-term structural reforms, reflecting the government's proactive response to global trade disruptions and its commitment to building a modern, efficient, and predictable customs and logistics environment. Key proposals impacting businesses, exporters, and strategic sectors are summarized below:

Key Indirect Tax Proposals – Budget 2026

1. Customs Tariff Simplification & Exemption Rationalization

Long-standing exemptions for items where domestic manufacturing exists or imports are negligible will be withdrawn. Effective duty rates will now be incorporated directly into the Customs Tariff Schedule, simplifying compliance, reducing disputes, and aligning with international best practices. Further, sunset clauses for some exemptions are being proposed, which earlier were not incorporated.

2. Export Incentives for Marine, Leather & Textiles

Duty-free import limits for inputs used in seafood processing for export have increased from 1% to 3% of FOB value. Duty-free inputs now cover shoe uppers exports, and the export time limit for leather, footwear, and textile exporters has been extended from 6 months to 1 year, strengthening India's position in global value chains.

3. Green Energy, Storage & Critical Minerals Focus

Exemptions on capital goods for battery energy storage systems, solar glass manufacturing, and critical mineral processing have been extended, reinforcing India's clean energy and resource security objectives. The basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries is being extended.

4. Local mining and processing push

Apart from this a specific capital outlay of INR 10,000 crore is proposed to subsidize local extraction and processing of rare earths and critical minerals that would serve as inputs for high power magnets and electric vehicle batteries. This move is aimed at protecting the domestic market from global trade barriers and shocks.

5. Aviation, Defence & Electronics Manufacturing Boost

Basic customs duty exemptions have been provided on aircraft components, parts, and raw materials for civil, training, and defence aviation, including MRO activities. The outlay for already hit electronics PLI scheme has received a boost of 60% from present INR 25,000 crores to INR 40,000 crores. Select components for microwave oven manufacturing have also been exempted, supporting electronics value addition and “Make in India” initiatives.

6. One-Time Concessional Window for SEZ Manufacturing Units

Eligible SEZ manufacturers can now sell goods into the Domestic Tariff Area (DTA) at concessional duty rates, provided a prescribed proportion of exports is maintained. This addresses capacity underutilization amid global trade challenges while safeguarding domestic industry competitiveness.

7. Consumer & Healthcare Relief Measures

Customs duty on personal imports has been reduced from 20% to 10%.**Seventeen medicines are now exempt from basic customs duty** to provide relief to patients, particularly those suffering from cancer and **seven additional rare diseases have been included for duty-free personal imports of drugs**, medicines, and FSMPs, easing access to essential healthcare products and ultimately providing relief to the common man.

8. Trust-Based Customs System & AEO Expansion

The duty deferment period for Tier-2 and Tier-3 Authorised Economic Operators (AEOs) has doubled from 15 to 30 days. Similar benefits extend to eligible manufacturer-importers to encourage Tier-3 accreditation, promoting compliance through trust rather than frequent checks. Further, the facility of deferred payments of customs duty has been extended to other local manufacturer importers as well.

9. Other important legislative and administrative reliefs under Customs

a. Advance rulings will now remain binding on Customs for 5 years instead of 3, enabling long-term planning and reducing regulatory uncertainty for importers and exporters.

b. Trusted importers will benefit from immediate clearance upon arrival when no compliance issues exist. Export cargo with electronic sealing will move seamlessly from factory to port, cutting delays and demurrage costs.

c. The customs warehousing framework will transition to a warehouse operator-centric model with self-declarations, electronic tracking, and risk-based audits, minimizing dependency on officer approvals.

d. Cargo clearance approvals from multiple government agencies will be integrated into a single digital window by year-end. AI-based non-intrusive scanning will be expanded at major ports, complemented by a phased rollout of the unified Customs Integrated System (CIS) over the next two years.

e. The ₹10 lakh cap on courier exports has been removed, benefiting MSMEs, artisans, and startups.

f. Fish caught beyond territorial waters and taken to foreign country is now treated as exports for duty purposes, expanding export opportunities for coastal and marine businesses.

g. Compliant taxpayers can now settle disputes by paying an additional amount in lieu of penalties, promoting ease of doing business and encouraging voluntary compliance

10. Baggage Rules Reforms

Personal baggage rules have been liberalized to allow greater duty-free limits for genuine personal imports. Travelers can now carry a higher quantity and value of goods without attracting customs duty, and procedural requirements for baggage clearance have been simplified. This change aims to facilitate smoother customs experience for honest passengers and reduce administrative bottlenecks.

11. Change in Place of Supply of “intermediary”

The legislative amendment behind the announcement regarding change in Place of Supply of intermediary services (from location of provider to location of recipient) as announced in 56 GST Council meeting has been proposed. This is expected to ease a lot of litigations

Cursory look at the implications for Industry

The 2026 Budget’s customs reforms mark the transition to Customs 2.0, a modern, trust-based, and technology-enabled trade ecosystem. Key sectors such as marine, leather, textiles, green energy, electronics, aviation, and defence stand to benefit directly. Exporters, MSMEs, and SEZ units gain predictable, seamless access to domestic and international markets. By reducing compliance friction, introducing risk-based interventions, and expanding digital facilitation, India strengthens its position as a global hub for trade efficiency, manufacturing, and innovation.

What Next - Priority Action Points: Budget 2026 Indirect Tax Reforms

1. Pursue AEO Accreditation - Fast-track Tier-2/Tier-3 AEO certification for 30-day duty deferment, immediate clearances, and reduced inspections—critical cash flow and efficiency advantages.

2. Revisit Exemptions Dependencies - Identify products affected by exemption withdrawals and quantify duty impact; develop alternative sourcing or pricing strategies to mitigate cost increases.

3. Invest in Digital Compliance Infrastructure - Upgrade systems for electronic tracking, self-declarations, and integration with the Customs Integrated System (CIS) to align with the trust-based Customs 2.0 framework.

4. Leverage Extended Export Timelines - Marine, leather, footwear, and textile exporters should restructure working capital and supply chains to optimize the new 1-year export window and increased duty-free input limits.

5. File/Renew Advance Rulings - Secure 5-year advance rulings now for long-term planning certainty on tariff classifications, valuations, and duty applicability.

6. Reassess Manufacturing Localization - Evaluate domestic production opportunities for critical minerals, electronics components, and EV batteries given new subsidies, PLI enhancements, and duty structure changes.

7. Settle Pending Disputes - Proactively resolve customs litigation through the new settlement mechanism (additional payment in lieu of penalties) to clear backlogs and improve compliance standing.

Conclusion

Budget 2026's indirect tax reforms mark a decisive inflection point in India's trade policy evolution—shifting from an exemption-dependent regime to a streamlined, technology-enabled, and trust-based customs ecosystem. The window of opportunity for businesses to adapt is narrow. Organizations that act swiftly on compliance upgrades, digital transformation, and strategic repositioning will not only mitigate transition risks but reposition themselves to avail sustainable competitive advantages through faster clearances, improved cash flows, and enhanced export competitiveness. A delay in adapting to these proposed changes risks being left behind as India accelerates toward becoming a preferred global manufacturing and logistics hub. The message is clear: proactive adaptation today will determine market leadership tomorrow.

**Nupur Maheshwari (Executive Partner at Lakshmikumaran and Sridharan attorneys)**

"The current once again focusses on Assessee Friendly Approach – East of doing business. Some of the key amendments proposed are as below:

- *Advanced ruling validity enhanced from 3 years to 5 years in line with the overall scheme of the Customs Act. It also provides greater certainty to business.*
- *Customs processes are simplified for smoother and faster clearance of goods. More benefits to flow to AEO operators by extending deferred payment of duty from 15 days to 30 days. Minimal interface with Customs Officers.*
- *AI based Customs Integrated System will be rolled out in 2 years.*
- *The FM continues to further rationalise and simplify Import tariffs. The Notifications are being withdrawn and lower duty rates are incorporated in tariff itself.*
- *New Baggage rules proposed in line with present day realities of travel.*
- *Traditionally, SEZ Units were allowed to sell in the Domestic Tariff Area (DTA) only upon payment of full duties. The current Budget marks a significant shift by permitting SEZ Units to make DTA sales at concessional duty rates, subject to specified limits to ensure a level playing field for DTA based manufacturers. This measure provides substantial relief to SEZ Units and enhances their commercial flexibility. This will bring SEZ units at par with EOUs.*
- *The Government introduced a trade facilitation measure allowing the assessee to pay an additional amount as charge in lieu of penalty. This will help the AEOs, MOOWR operators and exporters availing export incentive schemes."*