Dipen D Shah & Associates

CHARTERED ACCOUNTANTS

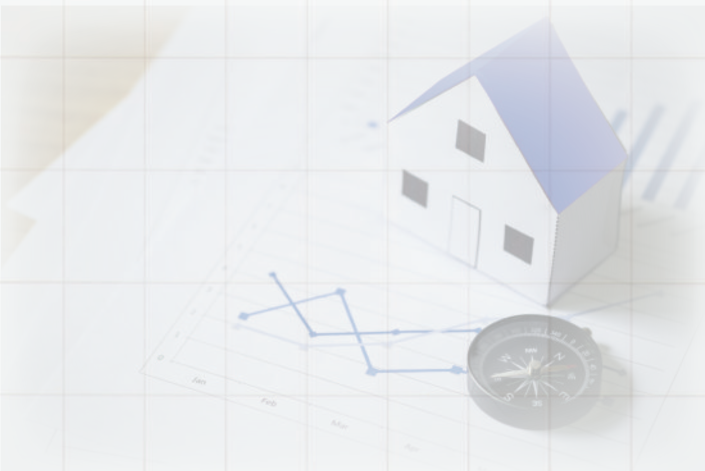
PRE-BUDGET MEMORANDUM-2026

BUDGET

WWW.DDSACA.COM

INTRODUCTION

The Union Budget 2026 is anticipated to prioritise prudent fiscal management, seamless transitions in the tax regime, targeted support for manufacturing and artificial intelligence, and comprehensive reforms to modernise India's tax and trade frameworks. The overarching objective is to ensure sustainable growth, enhance global competitiveness, and foster an innovation-driven economy. It is imperative that the government, in this Budget, facilitates the smooth implementation of the Income Tax Act, 2025, accelerates the adoption and development of india - specific AI, strengthens the competitiveness of Indian entities in a protectionist global environment, and intensifies focus on research and development, all while maintaining fiscal discipline.



At Dipen D Shah & Associates, expectations from trade and industry for the Union Budget 2026 on INCOME TAX ACT 2025 have been consolidated as follows:

1. Concessional Tax Regimes for Firms/LLPs

While concessional and alternative tax regimes have been introduced for domestic companies, individuals, HUFs, and cooperative societies, partnership firms andLLPs continue to be taxed at a flat rate of 30%. It is recommended that corresponding concessional tax regimes be extended to firms and LLPs.

2. Extension of 15% Concessional Tax for New Manufacturing Firms

The concessional corporate tax rate of 15% for eligible new manufacturing companies was a significant incentive. With the sunset clause now expired, it is advisable for the government to extend this deadline to reinforce its commitment to manufacturing growth and to maintain India’s attractiveness as a global manufactuiing hub.

3. Rationalisation of Tax Regimes

The dual tax regime structure has led to inefficiencies and increased scrutiny under the old regime. The new regime, with simplified slabs and lower rates, has proven more effective and less prone to disputes. It is expected that the government will eventually phase out the old tax regime, potentially prescribing a sunset date for its final doption.

4. Advance Tax Payment for Presumptive Schemes

Currently, the option to pay advance tax in a single instalment is not uniformly available across all pre-sumptive taxation schemes. It is recommended that his flexibility be extended to all eligible assessees under the relevant sections.

5. Capital Gains Exemption on Agricultural Land

Section 83 of the ITA 2025 does not permit exemption if new agricultural land is purchased before the sale of the original land. It is recommended that this restriction be removed, aligning the provision with other capital gains exemptions.

6. Clarity on Taxation of Virtual Digital Assets (VDA)

There is a need for explicit guidance on the determination of the situs of VDAs for taxability, particularly for non-resident assessees. Clear rules would help avoid unnecessary litigation and align with international best practices.

7. Tax Treatment of Crypto ETFs

The inclusion of Bitcoin ETFs and similar instruments within the definition of VDAs should be clarified. Until such inclusion, the tax treatment of gains from these instruments remains ambiguous. It is anticipated that the government will address this in the forthcoming budget.

8. Computation of Fair Market Value for Specified Assets

There is currently no prescribed method for computing the fair market value of certain specified assets, including VDAs. It is recommended that the CBDT be authorised to prescribe such methods to ensure consistency and reduce ambiguity.

9. Taxability of Capital Gains in JDAs

Clarity is required regarding the taxability of capital gains arising from Joint Development Agreements (JDAs) entered into by assessees other than individuals or HUFs.

10. Definition and Scope of "Residual Income"

The scope of "residual income" under the ITA 2025 remains undefined, creating interpretational challenges. The budget should provide a comprehensive or illustrative definition, or limit its application to explicitly notified categories.

11. Conversion of Provisional Registration for Charitable Entities

The process for converting provisional registration to regular registration for charitable entities that have not commenced activities is unclear. Objective evaluation criteria or deferral of regularisation requirements should be considered to ensure fairness and consistency.

12. TDS on Payments to Partners of Firms

Practical difficulties have arisen with the new TDS provisions on payments to partners. Amendments are recommended to address issues related to timing, nature of payments, and compliance deadlines.

13. Deduction of Tax on Dividends Paid by Non-Cash Modes

The current provision specifies a negative list for prohibited payment modes. It is recommended that a positive list of permissible payment modes be provided, in line with other statutory provisions.

Concluding Remarks

The Union Budget 2026 presents a pivotal opportunity for the government to address longstanding concerns and introduce forward-looking reforms that will strengthen India's fiscal framework and economic resilience. By implementing the re-commendations outlined above, the government can foster a more competitive, transparent, and innovation-driven environment for businesses and individuals alike. Clarity in tax provisions, rationalisation of regimes, and targeted support for emerging sectors will be instrumental in driving sustainable growth and positioning India as a global leader in economic development

dipen@ddsaca.com
info@ddsaca.com

+91-79-40039647

604, Block B,Addore Aspire 2,Opp.Old Passport office
University Road,Nr.Jhanvi Restaurant,Gulbai Tekra
Ahmedabad 380009