KPMG

India Union Budget 2026-27

Point of view

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Telecommunication

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Key announcements for the sector

Direct Taxes

Corporate Tax

- New Income-tax Act 2025
  - Rules and forms pursuant to the new Income-tax Act 2025 to be notified in due course.
- Attracting investment in data centres and promoting artificial intelligence data centre framework in India
  - Income-tax exemption to a foreign company on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre, for a period up to tax year ending 31 March 2047. Services provided to Indian users by the foreign company must be routed through an Indian reseller entity.
- Rationalisation measures
  - Deduction for employee contribution to recognised provident fund or approved superannuation fund allowable if such contribution is credited to the account of the employee on or before the due date of filing return of income
  - Ambiguity on deduction of tax at source (TDS) on manpower supply services removed; TDS to be deducted at 1 per cent when payment is made to individual or HUF and 2 per cent in other cases
  - Collection of tax at source (TCS) on payment for overseas tour programme package and remittances under Liberalized Remittance Scheme (LRS) for the purpose of education or medical treatment reduced to 2 per cent, irrespective of any threshold
  - Minimum Alternate Tax (MAT) rate for companies under old tax regime reduced from 15 per cent to 14 per cent. Tax paid under MAT provisions to be considered as final tax and MAT credit not available going forward
  - Domestic companies opting for lower tax regime on or after 1 April 2026 allowed to set-off unutilised MAT credit as on 31 March 2026 up to 25 per cent of tax payable. Remaining MAT credit to be carried forward as per to subsequent tax year as per applicable provisions
  - Updated return of income can now be filed as a return of loss, if the loss declared in the updated return is less than the loss declared in the original return of income
  - Updated return of income can now be filed even after initiation of re-assessment proceedings, subject to an additional 10 per cent payment on aggregate tax and interest
  - Income-tax rate on income from unexplained credits or investments or assets or expenditure reduced from 60 per cent to 30 per cent. Penalty subsumed within existing penalty provisions governing misreporting of income

- Timeline for filing revised return of income extended from nine months to 12 months from the end of the tax year, subject to payment of a nominal fee
- Quantum of pre-payment of tax in case of appeal before the first appellate authority proposed to be reduced from 20 per cent to 10 per cent (as stated by Hon'ble Finance Minister as part of her budget speech).

- Income-tax administration – rationalisation measures
  - No separate order for imposing penalty for under-reporting or misreporting of income; penalty to be imposed within the assessment order
  - Penalty provisions for failure to get books of accounts audited, failure to furnish certain reports or statement of financial transactions now converted to fees
  - Scope of immunity from penalty or prosecution extended to cover cases of misreporting of income, upon payment of additional tax at 100 per cent of the amount of tax payable, in lieu of penalty (120 per cent in cases of unexplained credits, unexplained investment, unexplained asset).
  - Prosecution proceedings rationalised:
    - nature of punishment changed from rigorous to simple imprisonment
    - maximum period of imprisonment reduced from seven years to two years (three years in case of subsequent offence)
    - imposition of fine in lieu of or in addition to imprisonment introduced
    - no prosecution in case tax evaded does not exceed INR10 lakhs.
- Income-tax administration – clarificatory amendments
  - Assessing officer for the purpose of initiating reassessment shall always be deemed to be assessing officer other than National Faceless Assessment Centre
  - No return of income, assessment, notice, summons on other proceedings shall be deemed to be invalid in case of any mistake or omission or defect on account of quoting a computer-generated Document Identification Number (DIN), if such DIN is referenced in any manner
  - Time limit specified for completion of proceedings before the Dispute Resolution Panel (DRP) operate for finalisation of assessments and are over and above the time limit specified for completion of assessment
  - Transfer pricing officer shall pass an order determining the arm's length price in relation to an international transaction at any time before one month prior to the month in which period of limitation of assessment expires.
- Buy-back of shares subject to capital gains tax
  - Buy-back of shares by a company subject to capital gains tax; effective tax rate in case of promoter shareholder 30 per cent and 22 per cent in case of a promoter domestic company.

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