



# Union Budget 2026

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Understanding Key Changes in Indirect Taxation

by

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## 1 Expansion of Scope of Customs Act beyond Territorial Waters

The Finance Bill, 2026 proposes to expand the scope of the Customs Act, 1962 to explicitly cover fishing and fishing-related activities by Indian-flagged vessels beyond territorial waters.

Section 1(2) of the Customs Act, 1962 is proposed to be amended to extend the Act to fishing and fishing-related activities by Indian-flagged fishing vessels beyond territorial waters.

### **A new definition has been inserted:**

Section 2(28A): "Indian-flagged fishing vessel" means a vessel which is used or intended to be used for the purpose of fishing in the seas and entitled to fly the flag of India;'.

The expansion of the Act's scope now explicitly encompasses "fishing and fishing-related activities conducted by Indian-flagged fishing vessels outside India's territorial waters."

This measure seeks to regulate and streamline fishing operations within India's Exclusive Economic Zone (EEZ) and further afield, offering customs duty exemptions for harvested fish and classifying landings at foreign ports as exports. It bolsters the fishing sector by easing duties on related imports and exports, promoting marine product exports, and aligning with the government's emphasis on the blue economy and fisheries growth as outlined in Budget 2026.

**Section 28(6) amended to treat voluntary penalty paid as a charge for non-payment of duty.**

The amendment adds a new phrase to clause (i) of sub-section (6), specifying that the penalty paid voluntarily under sub-section (5) (for cases without fraud) shall, upon determination by the proper officer, be deemed as a "charge for non-payment of duty." This effectively treats the penalty as an additional component of the duty liability.

This amendment bolsters revenue collection by classifying voluntary penalties as recoverable duty amounts, enhancing enforcement and curbing disputes on payment classification. It promotes voluntary compliance while channeling penalties toward duty shortfalls, supporting Budget 2026's customs simplification drive to cut litigation and improve efficiency.

**Section 28J amended to extend validity of advance rulings from three to five years.**

The validity of advance rulings under customs law is now extended from three to five years, with a proviso enabling businesses to request extension of their existing rulings to the new five-year limit.

This delivers extended certainty on classifications and duties, minimizing disputes and bolstering ease of doing business in line with Budget 2026's tariff simplification agenda.

**Section 67 substituted to simplify inter-warehouse movement by removing the requirement of ensuring due arrival.**

**Prior to amendment:** The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival thereof at the warehouse to which removal is intended.

**Post amendment:** The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed.

This amendment eliminates the "due arrival" condition at the destination warehouse, streamlining transfers by removing prior permission and verification requirements. It reduces paperwork and administrative delays, enabling faster logistics and cost savings for businesses handling inventory movements.

**Section 84(b) amended to empower CBIC to prescribe regulations relating to custody of goods imported or exported by post or courier.**

**Prior to amendment:** the examination, assessment to duty, and clearance of goods imported or to be exported by post or courier.

**Post amendment:** the custody, examination, assessment to duty, and clearance of goods imported or to be exported by post or courier.

This amendment adds "custody" before "examination," broadening CBIC's rule-making authority to cover storage and handling of postal/courier goods alongside existing examination, duty assessment, and clearance processes. It strengthens security measures, curbs potential misuse, and boosts compliance in booming e-commerce and small-shipment sectors, supporting Budget 2026's goals for efficient indirect tax administration.

### 3 Insertion of Special Provision for Fisheries – Section 56A

A new Section 56A is proposed to be inserted in the Customs Act, 1962.

A new provision allows duty-free import of fish caught by Indian-flagged vessels in international waters and classifies fish unloaded at foreign ports as exports. This strengthens the fisheries sector by waiving duties on catches to spur deep-sea fishing, while enabling export-linked benefits like refunds for overseas landings. It supports Budget 2026's drive for blue economy expansion and higher marine exports.

## Way Forward

The proposed indirect tax amendments under Budget 2026 reflect a clear policy intent towards simplification, trade facilitation, liquidity enhancement and reduction of disputes. Taxpayers should proactively evaluate the impact of these changes on contracts, pricing models, refund strategies and cross-border transactions.

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