ICMAI - WIRC *January 2026*

TAX CHRONICLE

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WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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Institute Motto

From ignorance, lead me to truth From darkness, lead me to light From death, lead me to immortality Peace, Peace, Peace...

असतो मा सद्गमय ।
तमसो मा ज्योतिर्गमय ।
मृत्योर्मा अमृतं गमय ।
ॐ शान्तिः शान्तिः शान्तिः

Vision Statement

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

Mission Statement

The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

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From the Desk of the Chairman

CMA MIHIR VYAS
Chairman, ICMAI-WIRC

"A New Year does not merely turn the calendar
it resets our commitment to Reform, Responsibility, and Resilience."

Dear Esteemed Members,

As we step into 2026, I extend my warmest New Year greetings to all esteemed members, professionals, and stakeholders of the CMA fraternity. The dawn of a new year brings renewed hope, sharper vision, and stronger resolve — and for the taxation ecosystem, it heralds the era of Tax Reform 2.0.

This edition of the Tax Chronicle is thoughtfully themed **"Union Budget 2026 & Tax Reform 2.0: Charting India's Next Decade of Fiscal Transformation."** The theme aptly reflects the nation's evolving fiscal architecture — one that is simpler, technology-driven, transparent, and growth-oriented. As India positions itself for the next decade of economic leadership, taxation reforms will remain the cornerstone of sustainable development and fiscal discipline.

In this dynamic environment, Cost and Management Accountants (CMAs) play a pivotal role — not only as compliance professionals but as strategic advisors, policy interpreters, value creators, and nation builders. Our expertise in cost optimisation, tax planning, transfer pricing, GST advisory, and fiscal impact analysis positions CMAs at the heart of India's tax reform journey.

I am delighted to share that WIRC of ICMAI is organising the **"Regional Tax Conclave 2026"** at Bhilai, Chhattisgarh, a landmark professional gathering aimed at deep-diving into contemporary tax issues, Budget 2026 implications and the future roadmap of taxation in India. The conclave will bring together eminent speakers, policymakers, industry leaders and professionals on a common platform for knowledge exchange, deliberation and capacity building.

I am delighted to announce that WIRC of ICMAI is organising the "Regional Tax Conclave 2026" at Bhilai, Chhattisgarh - an emerging industrial and economic hub. A landmark professional gathering aimed at deep-diving into contemporary tax issues, Budget 2026 implications and the future roadmap of taxation in India. The conclave will bring together eminent speakers, policymakers, industry leaders and professionals on a common platform for knowledge exchange, deliberation and capacity building. I earnestly urge all members to actively participate in this Conclave, contribute to the deliberations, and enrich themselves through knowledge sharing and professional networking.

As tax reforms accelerate, the responsibility on professionals increases. CMAs must continue to lead with integrity, competence, and foresight, ensuring that businesses remain compliant, competitive, and future-ready. WIRC remains committed to empowering members through continuous professional development, thought leadership, and regional outreach.

Let us welcome 2026 with optimism and preparedness. May this year empower us to embrace change, leverage reforms, and reinforce the relevance of the CMA profession in India's fiscal transformation journey.

I congratulate the contributors and the Tax Chronicle team for bringing out this insightful edition and wish all readers an enriching experience.

Wishing you and your families a prosperous, progressive and professionally fulfilling New Year 2026.
With warm regards,
CMA Mihir Narayan Vyas
Chairman
Western India Regional Council of
The Institute of Cost Accountants of India

Address by Chairman Task Force of GST & Income Tax

CMA NANTY SHAH

Chairman, WIRC Task Force on Income Tax and GST
Vice Chairman, ICMAI - WIRC

Dear Professional Colleagues,

As we step into the New Year 2026, I extend my warmest greetings and best wishes to all members, professionals, students, and readers of the ICMAI-WIRC Quarterly Tax Chronicle. A new year always brings renewed optimism, fresh aspirations, and a stronger resolve to contribute meaningfully to the profession and the nation. I am confident that 2026 will be a year of progress, policy clarity, and professional opportunities for the CMA fraternity.

The theme of this edition - **"Union Budget 2026 & Tax Reform 2.0: Charting India's Next Decade of Fiscal Transformation"** is both timely and forward-looking. India stands at a crucial juncture where fiscal policy, tax reforms, and compliance simplification are shaping the roadmap for sustained economic growth. The upcoming Union Budget 2026 is expected to further strengthen India's reform journey by balancing growth imperatives with fiscal discipline, promoting ease of compliance, and fostering innovation-led development.

Over the last few years, the Indian tax landscape has witnessed structural reforms aimed at transparency, digitisation, and taxpayer facilitation. Initiatives such as faceless assessments, rationalisation of tax rates, expansion of GST analytics, increased use of technology, and the proposed New Income Tax Act, 2025 reflect the Government's intent to move towards a simpler, predictable, and trust-based tax regime. These reforms are not only redefining compliance but also enhancing India's global competitiveness.

This edition of the Tax Chronicle thoughtfully captures these evolving dimensions. The articles covering Emerging Contours of the New Income Tax Act, 2025, Budget 2026: India's Big Leap, Towards a Balanced Income-tax Compliance Calendar, Start-Up & Innovation Policy Expectations from Budget 2026, and Budget Analytics – Fiscal Deficits, Capital Expenditure, and Cost-Impact provide readers with a perfect blend of conceptual clarity, policy insight, and analytical depth.

I express my heartfelt gratitude to all the authors for their well-researched and insightful contributions, and to our readers whose engagement inspires us to continuously raise the bar. My heartfelt thanks also to each member of the Task Force for Income Tax & GST for their dedication, intellectual rigor, and teamwork in making this Chronicle impactful and meaningful.

Also invite constructive feedback and suggestions from members for the further upliftment of the Tax Chronicle. I also urge all professionals and young members to actively contribute articles, share practical perspectives, and participate in shaping future editions.

I am pleased to share that ICMAI-WIRC is organising the **"Regional Tax Conclave"** on **Sunday, 26th April 2026 at Bhilai, Chhattisgarh.** The conclave will provide a vibrant platform for deliberations on contemporary tax issues, policy developments, and practical challenges. The detailed brochure will be shared shortly. I request all members to block the dates, participate actively, and contribute to making the conclave a grand success.

Let us move ahead with confidence, preparedness, and a shared commitment to strengthening India's tax ecosystem through knowledge, ethics, and professionalism. I extend my best wishes for the upcoming festivals to you and your families. May the festive season bring prosperity, happiness, and renewed energy in all your endeavors.

With warm Regards,
CMA Nanty Nalinkumar Shah
Vice Chairman &
Chairman, Taskforce for GST & Income Tax
Chief Editor, WIRC Bulletin

Start-Up & Innovation Policy Expectations from Budget 2026

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Abstract

India stands at a crucial inflection point as it advances toward the vision of **Viksit Bharat 2047** and the aspiration of becoming a **$10-trillion economy**. Start-ups, innovation-led enterprises, and high-technology sectors will serve as the backbone of this transformation. As policymakers prepare for the **Union Budget 2026**, expectations from the start-up ecosystem are broad, diverse, and strategically important. From tax rationalisation and ESOP reforms to funding incentives, research-linked subsidies, export competitiveness, and global market integration, the start-up community seeks a modern fiscal framework that encourages risk-taking, supports innovation, and ensures ease of doing business.

This article analyses the policy expectations from Budget 2026 through the lens of taxation, capital formation, regulatory simplification, technology adoption, and global competitiveness. It discusses gaps in current policies, emerging trends in innovation-driven economies, and practical recommendations to strengthen India's start-up ecosystem for the next decade.

1. Introduction

The last decade has been transformative for India's start-up landscape. The country now has **over 117,000 recognised start-ups** across sectors such as fintech, deep tech, AI, clean energy, agritech, biotechnology, and software-as-a-service (SaaS). India is also home to **110+ unicorns,** making it the world's third largest start-up ecosystem.

However, the global economic environment is evolving rapidly. Investment cycles are tightening, technology disruptions are accelerating, and competition from innovation-led economies such as the US, China, Israel, and EU member states is intensifying. Against this backdrop, **Budget 2026 must redefine the policy architecture** that will empower Indian start-ups to compete globally and scale sustainably.

This article explores the key expectations from Budget 2026 under six pillars:

1. **Tax reforms and ease of compliance,**
2. **Capital formation and funding ecosystem,**
3. **Innovation and R&D incentives,**
4. **Export competitiveness & globalisation,**
5. **Sector-specific policy support, and**
6. **Ease of doing business and regulatory overhaul.**

2. Tax Reforms and Ease of Compliance

2.1 Rationalising the Angel Tax Framework

The abolition of angel tax for non-resident investors in 2023 was a landmark move, but complexities still exist in valuation rules, scrutiny procedures, and documentation. Budget 2026 is expected to:

- Harmonise Section 56(2)(viib) rules with global valuation standards;
- Issue a standardized safe harbour for early-stage start-ups;
- Introduce pre-approved valuation regimes to reduce litigation.

These reforms will bring certainty and make India more attractive for global investors.

2.2 ESOP Taxation Reforms

Employee Stock Option Plans (ESOPs) are among the most critical tools for talent acquisition and retention. Indian ESOP taxation, however, remains burdensome because tax is levied:

- **first at the time of exercise,** and
- **again at the time of sale of shares.**

Budget 2026 is likely to consider:

- Taxing ESOPs **only at the time of sale;**
- Extending the deferred tax scheme introduced for eligible start-ups;
- Lowering perquisite taxation for unlisted share valuations;
- Creating a dedicated ESOP-friendly regime for deep-tech ventures.

These steps will significantly enhance India's competitiveness in attracting high-value global talent.

2.3 Lower Corporate Tax for Start-Ups and Innovation Entities

The current concessional tax regime for eligible start-ups under Section 80-IAC is useful but restrictive. Budget 2026 may:

- Extend the sunset clause beyond the current timeline;
- Relax the conditions related to turnover and incorporation date;
- Offer a graded tax structure for innovation-intensive businesses.

Such reforms would reduce the financial burden during early years of business growth.

2.4 Simplifying TDS/TCS Provisions

Start-ups often face cash-flow blockages due to multiple tax deduction and collection mechanisms across service payments, vendor contracts, and digital transactions. Expectations include:

- A uniform TDS rate for start-ups;
- A quarterly TDS reconciliation window without penalties;
- Refund acceleration mechanisms for early-stage entities.

A simplified regime will enhance liquidity and compliance ease.

3. Strengthening Capital Formation and the Funding Ecosystem

3.1 Expanding Fund-of-Funds and Government-Backed Capital

The Fund of Funds for Start-ups (FFS), SIDBI-managed corpus, and State-level venture funds have enabled structured risk capital. However, allocation and disbursement have been slow. Budget 2026 may:

- Increase the FFS corpus from ₹10,000 crore to at least ₹25,000 crore;
- Reduce bureaucratic bottlenecks for fund clearance;
- Introduce a "Fast-Track Funding Window" for deep-tech and hardware-heavy ventures.

3.2 Incentives for Domestic Venture Capital (VC) & Angel Investors

India needs stronger domestic capital participation. Possible measures include:

- Tax pass-through benefits for early-stage VC funds;
- Reduced capital gains tax for long-term VC investments;
- A credit guarantee mechanism for innovation-driven enterprises;
- Lower GST rates on fund management fees.

This can reduce dependence on foreign capital and build a robust local investor ecosystem.

3.3 Encouraging Corporate Venture Capital (CVC)

Large corporations can play a transformative role in nurturing start-ups. Budget 2026 could introduce:

- Weighted tax deduction for CVC investments in early-stage companies;
- Dedicated innovation collaboration clusters;
- Incentives for cross-industry R&D partnerships.

This will accelerate innovation diffusion into mainstream industries.

4. Innovation, R&D, and Intellectual Property (IP) Framework

4.1 Reintroducing Weighted Deduction for R&D Expenditure

The withdrawal of 150–200% weighted deduction under Section 35(2AB) reduced incentives for R&D. Budget 2026 may revive this incentive in a modern, technology-linked format, especially for:

- AI and automation,
- Biotechnology,
- Semiconductors,
- Renewable energy and climate tech,
- Drone technology,
- Advanced materials.

A globally competitive R&D ecosystem requires strong fiscal support.

4.2 Innovation Linked Incentive (ILI) Scheme – A Proposed Model

Inspired by the success of the Production Linked Incentive (PLI) scheme, stakeholders expect an **Innovation Linked Incentive (ILI)** scheme to support:

- Proof-of-concept development,
- Patenting and IP filings,
- Prototype manufacturing,
- Commercialisation of indigenous technologies.

ILI can act as a catalyst for high-tech entrepreneurship.

4.3 Speeding Up Patent Processing and IP Monetisation

Start-ups often await patent clearances for years. Recommendations include:

- A dedicated "Start-Up IP Fast Track Cell";
- Subsidised patent filing fees;
- Government-backed IP monetisation hubs;
- A simplified mechanism for technology transfer from academic institutions.

This will make India an IP-rich innovation economy.

5. Export Competitiveness and Internationalisation of Start-Ups

5.1 Expanding the Market Access Initiative (MAI)

India's start-ups must be enabled to build global footprints. Budget 2026 could:

- Subsidise participation in global tech expos;
- Support international legal and compliance advisory;
- Introduce export-linked incentives for SaaS companies.

This will help Indian enterprises penetrate developed markets.

5.2 Creating an "India Global Start-Up Visa"

To attract global entrepreneurs to set up R&D bases in India, policymakers may consider:

- A special visa for founders, researchers, and high-skill innovators;
- Fast-track approvals for foreign talent;
- Tax advantages for innovation centres established in India.

This aligns with practices in Canada, UK, Singapore, and UAE.

5.3 Streamlined Cross-Border Payments for Start-Ups

Current FEMA and RBI compliances are complex, particularly for:

- Raising foreign investment,
- Remitting funds for SaaS exports,
- Paying international contractors.

Budget 2026 should propose:

- A simplified FEMA framework for start-ups;
- A single-window approval portal for outward remittances;
- Quarterly compliance certification instead of transaction-level approvals.

6. Sector-Specific Support: The Next Wave of Innovation

6.1 Deep-Tech and Defence Start-Ups

India's national security and strategic technology ambitions require:

- A dedicated deep-tech fund;
- Simplified procurement norms under the Defence Procurement Policy;
- Incentives for dual-use technologies.

6.2 Green Energy and Climate-Tech Start-Ups

To meet COP28 commitments, Budget 2026 must support:

- Carbon capture technologies,
- Green hydrogen innovation,
- Waste-to-energy solutions,
- Circular economy ventures.

Start-ups in these areas require grants, concessional loans, and tax breaks.

6.3 Semiconductor and Electronics Start-Ups

With global supply-chain shifts, Budget 2026 could provide:

- Prototype manufacturing support;
- Chip design incentives;
- A scaling-up fund for hardware manufacturing;
- Customs duty rationalisation for R&D components.

6.4 Agri-Tech and Rural Innovation

Key expectations include:

- Tax holidays for agri-sensor startups;
- Government procurement of agri-tech solutions;
- Incentives for drone-based agriculture automation.

6.5 Biotechnology and Life Sciences

Budget 2026 could introduce:

- Grants for clinical research,
- Regulatory fast-tracking for biotech innovations,
- Funding support for lab infrastructure and testing facilities.

7. Ease of Doing Business and Regulatory Overhaul

7.1 A Unified Compliance Code for Start-Ups

Start-ups currently navigate over 20+ central and state-level compliances, including:

- Income tax,
- GST,
- labour law filings,
- FEMA,

- RoC filings,
- IP documentation,
- environmental clearances.

Budget 2026 may introduce:
- A single master compliance portal for start-ups;
- Pre-filled filings based on digital data;
- Annual compliance instead of monthly/quarterly filings.

7.2 Faster Company Incorporation and Exit Procedures

While incorporation has improved, exit processes remain cumbersome. Expectations include:
- Automatic strike-off for dormant companies;
- Simplified voluntary liquidation procedures;
- A one-click closure mechanism for debt-free start-ups.

7.3 Simplifying GST Procedures

Start-ups demand:
- A unified GST return system,
- Automated reconciliation through AI,
- A single refund mechanism for exports,
- Reduced GST disputes with safe-harbour thresholds.

8. Conclusion

Start-ups are the foundation of India's innovation future. The Union Budget 2026 is expected to play a pivotal role in shaping a **progressive, competitive, and globally integrated** start-up environment. By focusing on taxation reforms, funding support, R&D incentives, export facilitation, and regulatory simplification, the government can unlock India's potential to lead the next wave of global innovation.

As India moves towards a $10-trillion economy, **start-ups will not only create enterprises but will build industries,** generate high-value employment, and accelerate technological leadership. Budget 2026 is therefore not just a financial exercise—it is an opportunity to write the next chapter in India's economic transformation.

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Budget Analytics – Fiscal Deficits, Capital Expenditure, and Cost-Impact Assessment

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Introduction

Public budgets are not merely accounting documents — they are powerful policy instruments. Through the lens of **budget analytics**, one can assess not just how much is being spent, but how efficiently and for what purposes. Key dimensions in this analytical framework include **fiscal deficits, capital expenditures (capex),** and **cost-impact assessments.** Together, they help policymakers, citizens, and stakeholders evaluate the sustainability, quality, and effectiveness of government spending.

This article delves into these three dimensions, exploring their interlinkages, challenges, and policy implications, especially in the context of emerging economies such as India.

1. Fiscal Deficit: Definition, Drivers, and Risks

1.1 What Is a Fiscal Deficit?

- The fiscal deficit is defined as the gap between a government's total expenditure and its total non-borrowed revenues (i.e., fiscal deficit = total expenditure − (revenue receipts + non-debt capital receipts)). (Clarity UPSC)
- This deficit represents the government's borrowing requirement.

1.2 Why Governments Run Fiscal Deficits

- **Growth Stimulus:** Deficit financing enables governments to invest in public infrastructure and social welfare, boosting aggregate demand.
- **Countercyclical Policy:** Deficits are often used to stabilize the business cycle—running higher deficits in downturns and consolidating during growth phases.
- **Limited Revenue:** In many developing economies, tax bases are constrained, making it difficult to finance large-scale public investments without borrowing.

1.3 Risks and Costs of High Fiscal Deficits

- **Debt Sustainability:** Persistent deficits lead to high public debt. Interest payments can become a significant burden, crowding out other spending. (mint)
- **Interest Rate Pressure:** Large borrowing can push up interest rates, potentially dampening private investment.
- **Inflationary Pressure:** If financed by monetary expansion, deficits may fuel inflation.
- **Credibility Risk:** Without credible fiscal rules or independent monitoring, deficits may undermine government credibility. Institutions like **fiscal councils** have emerged in many countries for this purpose. (Wikipedia)
- **Adjustment Risk:** Future fiscal consolidation (cutting deficits) may require politically difficult spending cuts or tax increases.

2 Capital Expenditure (Capex): Quantity vs Quality

2.1 Understanding Capital Expenditure

- Capital expenditure refers to government spending on **long-term assets** — infrastructure (roads, bridges), public utilities, physical machinery, or financial assets.

- Unlike revenue expenditure (salaries, interest payments), capex is growth-enhancing: it builds capacity and can generate future economic returns.

2.2 Trends and Shifts

- In India, for instance, capital expenditure has become a more prominent part of public budgeting: the emphasis has shifted to infrastructure-led growth. (mint)
- According to current budget targets (FY 2025–26), capex is planned to be ~3.1% of GDP, up markedly from around 1.6% in FY 2014–15. (Drishti IAS)
- However, recent analyses highlight that beyond size, **quality and impact** of capex are now gaining attention. The Centre is reportedly using data analytics and even AI tools to monitor project delivery and durability. (mint)

2.3 Challenges in Reporting and Measuring Capex

- Despite rising headline numbers, there are **data gaps and misclassifications** in reported capex. A working paper by Anoop Singh, Radha Malani & Shruti Gupta (CSEP) argues that a significant portion of what is reported as capex may not translate into real asset creation. (CSEP)
- Key issues identified include:
  - Loans & advances to states or public enterprises counted as capex, even when they do not directly create tangible assets. (CSEP)
  - Debt repayment or capital infusions being reported under capex categories. (ippr.in)
  - Off-budget or PPP (Public-Private Partnership) investments often missing or inconsistently reported. (CSEP)
- These reporting practices deviate from international standards and reduce transparency and accountability. (ippr.in)

2.4 Implications of Poor Capex Reporting

- Overstated capex might create a misleading sense of public investment momentum.
- Misallocation risk: Funds classified as capex but not used for productive assets could be less growth-enhancing than believed.
- Fiscal planning becomes riskier: Without clarity on real asset creation, the long-term return on public investment is harder to estimate.

3 Cost-Impact Assessment: Evaluating Efficiency and Effectiveness

3.1 What Is Cost-Impact (Economic) Assessment?

- Cost-impact assessment refers to structured evaluation of the costs and benefits of public expenditure (especially capex) to assess value for money.
- One common methodology is **economic appraisal,** which includes cost-benefit analysis (CBA), cost-effectiveness analysis (CEA), and scoring/weighting. (Wikipedia)
- CBA aims to monetize all costs and benefits, enabling comparison of alternative projects or policies. CEA, in contrast, might compare non-monetary outcomes (e.g., cost per life saved).

3.2 Challenges and Critiques

- **Forecasting Bias & Inaccuracy:** Empirical research (e.g., Flyvbjerg & Bester) shows that cost-benefit analyses often suffer from systematic bias: cost overruns and benefit shortfalls are common. (arXiv)
- **Behavioral Bias:** Over-optimistic projections, political pressures, and strategic misrepresentation can distort estimates.
- **Distributional Effects:** CBA traditionally aggregates benefits but may neglect how benefits/costs are distributed across socio-economic groups.

- **Uncertainty & Risk:** Long horizon projects face uncertainties (demand risk, cost escalation, regulatory risk), which are hard to model precisely.
- **Non-monetizable Outcomes:** Some benefits (e.g., environmental, social cohesion) are difficult to monetize, leading to potential undervaluation.

3.3 Improving Cost-Impact Assessment

- Use **sensitivity analysis:** Testing how results change when key assumptions (cost growth, discount rate, demand) vary.
- Incorporate **real options analysis:** Value flexibility in project design (e.g., scaling up or down) as uncertainty resolves.
- Embrace **participatory evaluation:** Involving stakeholders in defining benefits and costs ensures relevant factors are considered.
- Strengthen **institutional governance:** Independent appraisal units (e.g., NITI Aayog's Public Finance & Policy Analysis vertical) can provide rigorous techno-economic appraisal for large projects. (NITI Aayog)
- Leverage **data analytics/AI:** As governments (e.g., India) are beginning to do, using data tools to monitor project delivery and real-time cost metrics can improve accountability and reduce cost overruns. (mint)

4. Interplay: Deficit, Capex & Impact

4.1 Trade-offs and Complementarities

- A higher fiscal deficit in the short run may be justified if used to finance **productive capex** that generates future economic growth.
- But if capex is misclassified, or poorly implemented, the expected benefits may not materialize — leaving the economy with higher debt but limited gains.
- Cost-impact assessment helps bridge this gap by evaluating whether capex financed through deficits is delivering real economic returns.

4.2 Fiscal Sustainability vs Growth Imperative

- Policymakers must strike a balance: promoting growth (through public investment) while ensuring debt remains sustainable.
- Transparent reporting of capex, rigorous appraisal, and continuous monitoring can make that balance more achievable.
- Institutions like **fiscal councils, expenditure management commissions**, or independent budget offices play a vital role in this regard. For example, India's Expenditure Management Commission (EMC) was established to recommend reforms to reduce fiscal deficits. (Wikipedia)

4.3 Role of Technology & Innovation

- The adoption of **AI, data analytics,** and real-time dashboards can revolutionize how governments monitor capex projects, track cost overruns, and assess outcomes. (mint)
- Such tools can also facilitate **dynamic scoring** — a way to forecast fiscal outcomes by modeling behavioral responses to policy changes (e.g., how tax cuts or spending rises affect growth and revenues). (Wikipedia)
- Over time, this improves the precision and responsiveness of budget analytics.

5. Policy Recommendations

Based on the above analysis, here are some actionable recommendations for governments, especially in emerging-market contexts:

1. **Strengthen Capex Transparency**
    - Adopt **accrual-based accounting** to better reflect real asset creation.
    - Classify and report loans, advances, and infusions separately from direct asset spending.
    - Improve off-budget project reporting (e.g., PPPs).

2. **nstitutionalize Rigorous Economic Appraisal**
   - Set up or empower independent appraisal units (e.g., within finance ministries or planning commissions) for large projects.
   - Make cost-benefit analysis mandatory for projects above a threshold.

   - Publish appraisal reports for public scrutiny.

3. **Leverage Technology for Monitoring**
   - Use AI/data analytics to track project implementation, cost overruns, and delays.
   - Deploy real-time dashboards for stakeholders (ministries, legislators, public) to monitor capex flows and results.

4. **Enhance Accountability via Independent Bodies**
   - Support independent fiscal institutions (fiscal councils, budget offices) that can objectively evaluate fiscal policies, deficits, and project effectiveness.
   - Ensure these bodies have access to granular project-level data.

5. **Adopt Better Risk Assessment Techniques**
   - Use sensitivity analysis, option pricing, and scenario planning in project appraisals.
   - Incorporate distributional impacts (inequality, environmental, social) in cost-benefit frameworks.

6. **Capacity Building**
   - Train public finance officials in modern appraisal techniques, data analytics, and financial forecasting.
   - Facilitate cross-country learning on best practices in budget analytics.

Conclusion

Budget analytics — when deployed thoughtfully — is a powerful tool for enhancing the efficiency, transparency, and accountability of public finance. By rigorously analyzing **fiscal deficits, capital expenditure,** and **cost-impact**, policymakers can better understand not just how much is being spent, but how well it is being spent. This is especially critical in economies like India where the scale of public investment is large, but data gaps and governance challenges persist.

Effective budget analytics demands strong institutions, modern technology, and a culture of evaluation. When done well, it enables governments to deliver high-quality public infrastructure and services, while managing debt responsibly — in short, supporting sustainable and inclusive economic development.

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Towards a Balanced Income-tax Compliance Calendar

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Professionals engaged in accounting, taxation, and other statutory compliance have experienced an exceptionally onerous compliance Calendar during year 2025. The year has been marked by an almost continuous cycle of statutory due dates, extensions, and revised deadlines, creating sustained pressure on compliance systems and professional resources.

While the extensions were granted by the Ministry of Finance -the cumulative effect of such extensions resulted in a cascading disruption across the entire compliance calendar. Income-tax returns (both audit and non-audit), corporate filings, audits, assessments & appeals and other compliances like PF /ESI were all pushed into overlapping periods, thereby negating the very relief intended by such extensions.

The burden was further intensified as peak compliance deadlines coincided with major Indian festivals and extended through December with high-intensity requirements such as GST annual returns and reconciliations. With each compliance carrying independent penalties, interest, and prosecution exposure, the compliance environment effectively remained round the clock throughout the year.

Imbalanced Distribution of Compliance Workload Across the Year

At present, the compliance calendar is disproportionately concentrated in the second and third quarters of the financial year, with July to November witnessing an excessive clustering of statutory obligations. A rational restructuring of due dates could enable completion of non-audit income-tax returns by 30 June, thereby freeing professional capacity in subsequent quarters for audit cases, corporate filings, and assessment proceedings.

Critical Role of TDS Timelines in Delaying Individual Tax Filings

One of the principal structural reasons for the delayed filing of individual income-tax returns is the existing framework governing TDS payment and e-TDS return filing for the last quarter of the financial year.

Existing TDS due dates

The statutory scheme operates as follows:

- For **April to February,** TDS payment follows a uniform next-month rule, and e-TDS returns are filed at quarter end.
- **March** stands out as an exception, where:
    - Ø TDS payment is deferred to 30 April, and
    - Ø e-TDS return filing is further deferred to 31 May.

The additional time granted for March TDS payment was introduced to allow corporates sufficient time to finalise books of account & record year-end provisions and accruals before discharging TDS liabilities.

However, the compliance ecosystem has undergone a fundamental transformation since then. The mandatory quoting of PAN, advent of advanced accounting software and ERP systems and real-time data reconciliation tools has significantly reduced the time required for year end operations.

While granting an additional month for payment of TDS for the month of March may still be justified, the rationale for allowing an extra month for filing the e-TDS return no longer holds good. Once the tax liability is determined and the payment is made, filing the e-TDS return is largely a data upload and validation exercise only.

Suggested Structural Change and Its Systemic Benefits

Proposal if accepted

- For the month of March, the due date for both TDS payment and e-TDS return filing be aligned to 30 April.

This single reform would:

- Enable faster updating of Form 26AS and AIS
- Allow timely issuance of Form 16 and Form 16A
- Facilitate filing of individual non-audit income-tax returns by 30 June
- Smoothen distribution of compliance workload across the year
- Improve overall efficiency of tax administration

Conclusion

As the new Income-tax Rules corresponding to the Income-tax Act, 2025 are yet to be notified, this is an opportune moment to re-examine legacy timelines that no longer align with contemporary compliance realities. Rationalising timelines for the last quarter would ease compliance pressure without impacting revenue, while enhancing administrative efficiency and supporting a healthier work–life balance for professionals.

"Budget. 2026: India's Big Leap!!!" for consideration in the forthcoming WIRC Tax Chronicle (Jan 2026) Edition.

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- ## Abstract

India stands at a defining juncture as it approaches Union Budget 2026, poised to transform from a fast-growing economy into a global powerhouse. With GDP now exceeding $4.3 trillion in 2025 and growth rates around 6.5-7%, the nation is on track to become a $5-trillion economy by 2028 and one of the world's top three economies by the early 2030s. Yet, deep structural challenges persist - low manufacturing share, skill mismatches, high logistics costs, and income inequality.

The article argues that Budget 2026 must act as a national roadmap rather than an annual account, combining tax reform, infrastructure investment and human-capital expansion. Key priorities include Tax Reform 2.0 for simplicity and fairness, a renewed Make in India 2.0 for manufacturing growth, digital and rural inclusion, green energy acceleration, and outcome-based governance. Fiscal discipline, decentralization and innovation-driven growth form the pillars of this transformation.

If executed with precision and inclusivity, India's economic leap from $4.3 trillion today to over $8-10 trillion by 2035 is achievable. Budget 2026 therefore symbolizes more than policy - it marks India's transition from promise to performance, from emerging power to Viksit Bharat, shaping the nation's next great economic chapter.

1. Introduction

The Dawn Before the Leap Every nation has a moment when the future arrives early - demanding courage, clarity and conviction. For India, that moment is Budget 2026. It is not just an annual statement of accounts but a statement of ambition, an opportunity to convert a decade of resilience into a century of relevance.

In 2025, India stands tall as the world's fourth-largest economy, with its GDP crossing an estimated $4.3 trillion, more than double its size a decade ago. The world looks at India not merely as an emerging market, but as a rising pillar of global stability. Growth has remained steady at 6.5-7%, inflation is within the RBI's 2-6% comfort band and domestic demand continue to drive expansion even amid global uncertainty.

Yet, this moment of pride is also one of responsibility. If India must transform into a $5-trillion economy by 2028 and eventually a superpower-scale economy of $8-10 trillion by the 2030s, Budget 2026 must be more than a ledger - it must be a vision document for Viksit Bharat. It must translate aspirations into action and action into transformation.

2. Present Hurdles in Marching Toward a $5-Trillion Economy

India's ambition to leap toward $5 trillion is achievable but challenging. While macro indicators are strong, structural imbalances persist across sectors and regions.

- Structural Gaps Across Sectors

India's economy is vibrant yet uneven. Manufacturing contributes about 15-16% of GDP, far below the target of 25% envisioned under Make in India. Services continue to dominate, contributing nearly 53% of GDP, but much of this growth is urban and skill-intensive, creating fewer jobs for semi-skilled youth. Agriculture, employing nearly 45% of the workforce, contributes barely 17% to GDP - highlighting a productivity paradox.

i) Industrial growth is heavily concentrated in western and southern states, while the northern and eastern regions lag.
ii) High logistics costs, at 14% of GDP compared to China's 8%, reduce export competitiveness.

- Employment and Skill Challenges

India's demographic dividend is both a blessing and a pressure point. With more than 12 million youth entering the workforce annually, job creation remains a race against time.

i) Only 20% of the workforce is formally employed, while the informal sector still dominates.
ii) Skill programs exist but often misaligned with industry demand- only 35% of graduates are industry-ready, according to employability surveys.

- Fiscal Constraints and Revenue Dependence

The government has managed fiscal prudence despite global challenges. The fiscal deficit for FY25 was around 5.6% of GDP, on track to decline below 4.5% by FY28. However, tax buoyancy remains modest.

i) The tax-to-GDP ratio hovers near 11.7%, below the ideal 15% benchmark for a developing economy.
ii) Heavy reliance on indirect taxes like GST (which contributes ~54% of tax revenue) adds burden to consumers and MSMEs.

- Infrastructure and Energy Bottlenecks

Despite massive investments through the ₹11.11 lakh crore CapEx push in FY25, delays persist in execution.

i) Land and environmental clearances slow down national projects.
ii) Energy import dependency remains high - India imports nearly 85% of its crude oil needs, exposing it to global shocks.

- Inequality and Social Divide

India's prosperity must reach every household, not just every headline. Despite a reduction in multidimensional poverty, inequality between urban and rural India remains stark.

i) The top 10% of earners still account for nearly 57% of national income, indicating a need for inclusive fiscal measures.
ii) Access to education, healthcare, and digital tools still varies widely across states.

3. Present Obstacles in Budget Policies Framed to Date

Budget reforms over the past decade have laid a strong foundation - digitization, tax reforms, welfare inclusion - yet several gaps in execution and coordination continue to hinder long-term outcomes.

- **Short-Term Budget Vision**

While every Budget strives for fiscal balance, long-term developmental continuity often suffers.

i) Annual fiscal targets dominate planning, leaving less space for multi-year capital projects.
ii) Spending on education and R&D (currently below 1% of GDP) remains inadequate for global competitiveness.

- **Complexity in Taxation**

The introduction of GST simplified many layers of taxation, but implementation inconsistencies persist.

i) Frequent rate revisions and compliance requirements burden smaller enterprises.
ii) Tax uncertainty discourages foreign investors seeking stable, long-term clarity.

- **Overlapping Welfare Mechanisms**

India operates multiple social schemes across ministries. While they deliver support, duplication dilutes impact.

i) Over 500 central and state schemes often overlap in beneficiaries and objectives.
ii) Better convergence through digital mapping and Aadhaar-linked integration can improve efficiency.

- **Fiscal Space Constraints**

Interest payments consume nearly 42% of total revenue expenditure, leaving limited flexibility for growth-oriented spending.

i) Subsidy rationalization remains partial - fertilizer and food subsidies continue to exceed ₹3.5 lakh crore annually.
ii) While CapEx allocation has risen to 3.4% of GDP, it needs to approach 5% to sustain long-term growth.

- **Lack of Fiscal Federalism**

Despite progress, local governance remains underpowered.

i) State-level fiscal autonomy is limited by central devolution formulas.
ii) Urban local bodies often lack both financial and administrative authority to manage expanding populations.

4. The Way Forward: India's Path to a $5-Trillion and Superpower Economy

To transform India's growth into a leap, the country must pivot from reform to reimagination. The journey ahead requires boldness in execution and innovation in policy.

- **Reviving Manufacturing - "Make in India 2.0"**

i) The goal must be to increase manufacturing's share to 25% of GDP by 2030.
ii) Simplify compliance under a single digital portal and time-bound dispute resolution.
ii) Offer PLI (Production-Linked Incentives) for high-value sectors- electronics, semiconductors and renewable energy.
iv) Develop mega industrial corridors in northern and eastern India to balance regional growth.

- **Transforming Agriculture**

i) India must move from being a food-secure nation to a farm-prosperous one.
ii) Develop agri-infrastructure: storage, processing and cold chains.

iii) Introduce crop diversification with AI-driven predictive analytics.
iv) Target doubling farmer income through rural startups, e-NAM expansion and FPO empowerment.

- **Strengthening Digital and Financial Ecosystem**

i) India processed over 172 billion digital transactions in 2024, a 9x surge since 2018. This digital momentum can redefine inclusivity.
ii) Expand fintech credit access to small towns.
iii) Create a Digital MSME Mission linking payment systems with low-cost financing.
iv) Target full financial inclusion by 2030 with 100% digital account coverage.

- **Investing in Human Capital**

i) India's youth are its future factories of innovation.
ii) Raise education expenditure to 6% of GDP by 2030.
iii) Focus on vocational skill programs aligned with industry 4.0 - robotics, AI, logistics, and green energy.
iv) Expand "Skill India Next" to ensure every district has a training hub.

- **Global Investment Magnet**

i) To sustain annual growth of 7-8%, India must attract high-quality global capital.
ii) Guarantee stable tax laws and faster project approvals.
iii) Deepen strategic trade ties with ASEAN, Africa, and Latin America.
iv) Aim to increase FDI inflows by 50% over the next five years, crossing the $1.5 trillion cumulative mark.

5. Is the Dream of Viksit Bharat or Superpower India a Mirage?

India's dream is not a mirage - it's a mission. A decade of data already proves that vision backed by discipline delivers results.

In 2015, India's GDP was about $2.1 trillion.

In 2025, it's $4.3 trillion, the fastest doubling among major economies.

By 2028, projections show it will cross $5.7 trillion, making India the third-largest economy globally.

The dream turns into illusion only when execution falters - not when ambition rises.

- **Inclusive Growth as a Foundation**

Growth without equity is fragile. Policies must prioritize rural infrastructure, women's participation and digital literacy to ensure every citizen contributes.

- **Innovation as the Next Engine**

The success of UPI, CoWIN and Aadhaar demonstrates India's capacity for global-scale digital innovation. Exporting this model can position India as the digital public infrastructure capital of the world.

- **Sustainability as Strategy**

India's leadership in green hydrogen and solar energy already places it in the global top three for renewables. Achieving 50% renewable energy mix by 2030 will strengthen both growth and global credibility.

- **Governance with Accountability**

Transparent governance - powered by technology and citizen feedback - must become India's strongest brand. Every rupee spent must be traceable, measurable and purposeful.

6. Union Budget 2026: The Blueprint for India's Big Leap

Budget 2026 must turn aspirations into arithmetic, and numbers into narratives of national strength.

- **Tax Reform 2.0 - The Backbone of Confidence**

i) Direct Taxes: Introduce three simplified slabs with rational rates; eliminate distortionary exemptions.
ii) GST Rationalization: Merge into a 3-tier structure - essential, standard and luxury.
ii) Ease of Compliance: Build a "One Nation, One Tax Portal" integrating direct and indirect filings.
iv) Broadening Base: Incentivize voluntary tax declarations with credit-linked benefits.
v) Target: Increase tax-to-GDP ratio from 11.7% to 14% by FY30.

- **Agriculture and Rural Renaissance**

i) Launch a National Agri-Tech Mission for precision agriculture.
ii) Expand micro-irrigation and solar-pump coverage to 80% of farmland.
iii) Integrate PM Kisan, Fasal Bima Yojana, and e-NAM into one digital platform.
iv) Target: Double rural income by 2032 through value chain efficiency.

- **Infrastructure - The Arteries of Growth**

i) Continue CapEx expansion to ₹13 lakh crore by FY27.
ii) Prioritize multimodal logistics parks, coastal economic zones and EV infrastructure.
iii) Ensure 100% rural broadband connectivity under BharatNet.
iv) Target: 5% of GDP in infrastructure spending by FY27.

- **Education and Skills**

i) Expand National Education Mission with NEP 2020 execution acceleration.
ii) Establish innovation labs in 1,000 higher institutions.
iii) Incentivize private universities to adopt public research partnerships.

- **Healthcare for All**

i) Expand Ayushman Bharat to cover 800 million citizens.
ii) Increase healthcare spending to 3% of GDP by 2030.
iii) Build district-level preventive healthcare centres focusing on nutrition and chronic disease prevention.

- **Industry and Start-up Growth**

i) Provide tax deductions for R&D and green innovation.
ii) Build Innovation Clusters in each state capital.
iii) Target: Create 100,000 new startups by 2030 contributing 5% to GDP.

- **Clean Energy and Climate Resilience**

i) Promote electric mobility and battery manufacturing through PLI schemes.
ii) Expand solar capacity to 500 GW by 2030.
iii) Introduce a Green Credit Market rewarding sustainable business actions.

- **Urban and Housing Development**

i) Integrate Smart City 2.0 with digital urban governance and climate-friendly infrastructure.
ii) Expand Pradhan Mantri Awas Yojana to achieve housing for all by 2032.

- **Defence, Innovation, and Space**

i) Increase domestic defence procurement to 75% by 2028.
ii) Promote dual-use technology startups integrating civilian and defence R&D.
iii) Position ISRO-led space startups as key export earners by 2030.

- **Fiscal Discipline and Transparency**

i) Continue the fiscal glide path to below 4.5% deficit by FY28.

ii) Adopt transparent outcome-based budgeting for every ministry.
iii) Establish an independent Fiscal Council for monitoring accountability.

7. Can India Convert Its Dream into Reality?

India's transformation is already underway. The journey from $2 trillion to $4.3 trillion in just ten years is not a coincidence - it's a consequence of conviction. To convert the next leap into reality, India needs three accelerators:

- **Execution Excellence:** Every policy must have timelines and outcomes measured transparently.
- **Collaborative Governance:** The Centre, States, and private sector must operate as partners in progress.
- **Inclusive Prosperity:** Growth must be measured not by stock market highs but by household wellbeing.

The road to Viksit Bharat 2047 is challenging yet achievable. India's demographic advantage, digital maturity and entrepreneurial energy create an economic force unparalleled in modern history. If sustained reforms meet sustained hope, the $5-trillion milestone by 2028 and superpower scale by the 2030s are not just goals - they are guarantees waiting to be fulfilled.

8. Conclusion: The Leap Begins Now

As the sun rises on Budget 2026, India faces the most powerful equation of its time - ambition multiplied by action equals achievement. The coming decade will define whether we remain a story of promise or become the story of performance.

This Budget must symbolize more than figures - it must represent faith in the people, trust in enterprise and confidence in the nation's future.

The leap has already begun. The destination - a strong, equitable and globally respected Viksit Bharat - is no longer a dream deferred, but a dream designed. The task before India is not to predict the future but to prepare for it, together.

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Emerging contours of New Income Tax Act 2025

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Introduction:

The new Income tax bill 2025 was introduced on 13 Feb 2025 in Lok Sabha which was later withdrawn on 8 Aug 2025. The revised Income tax bill 2025 was presented on 11 Aug 2025 in Lok Sabha and was approved on the same day by Lok Sabha. On 12 Aug 2025, the revised Income tax bill 2025 was approved by Rajya Sabha. On 21 Aug 2025, it received president assent and became Income tax Act 2025. The Income tax Act 2025 will be effective from 1 April 2026. This new Income tax Act 2025 repeals and replaces the Income tax Act 1961 and simplifies the structure and drafting of provisions to ensure smooth taxation compliance. Let us understand the two key differences between Income tax Act 1961 and Income tax Act 2025:

1. Simplification through systematic renumbering and logical sequencing of provisions

Although the number of Sections in the new Income tax Act 2025 has increased from 298 to 536, but the provisions are properly numbered and logically sequenced. The new Income tax Act reduces the use of provisos by incorporating conditions directly into the main provisions which make the law easier to read and understand. Let us understand this with the help of examples:

- **Under the Income tax Act 1961,** presumptive taxation provisions were covered under Section 44AD (for computing profit & gains of business), 44ADA (for computing profit & gains of profession) and 44AE (for computing profit & gains of business of plying, hiring or leasing goods carriages). These scattered section numbers were confusing and difficult to remember. However, **under new Income tax Act 2025,** a single **Section 58** deals with presumptive taxation for all the above three categories, making it simple and easier to recall.

- **Under the Income tax Act 1961,** Section 80C to Section 80GGC deals with deductions in respect of certain payments which was very confusing and difficult to remember such as Section 80C, 80CC, 80CCA, 80CCB, 80CCC,80CCD,80CCE etc. However, **in new Income tax Act 2025, all deductions in respect of certain payments are properly numbered from Section 123 to Section 137.**

2. Replacement of Previous year and Assessment year with tax year

Under the Income tax Act 1961, there was a concept of Previous year (the year in which income is earned) and Assessment year (the year in which income is assessed) which create a lot of confusion among taxpayers. For example, income earned during the period 1 April 2024 to 31 March 2025 is assessed in FY 25-26. Accordingly, 2024-25 is treated as Previous year and 2025-26 as the Assessment year. However, in Income tax Act 2025 only tax year is used i.e. Income earned in tax year will be assessed in next financial year. There is no concept of previous year and Assessment year under the Income tax Act 2025.

Conclusion:

The Income tax Act 2025 bring reform by removing drafting complexity and bringing certainty into statutory provisions, thereby improving compliance, making simplified, reducing litigation and enhancing taxpayer confidence.

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