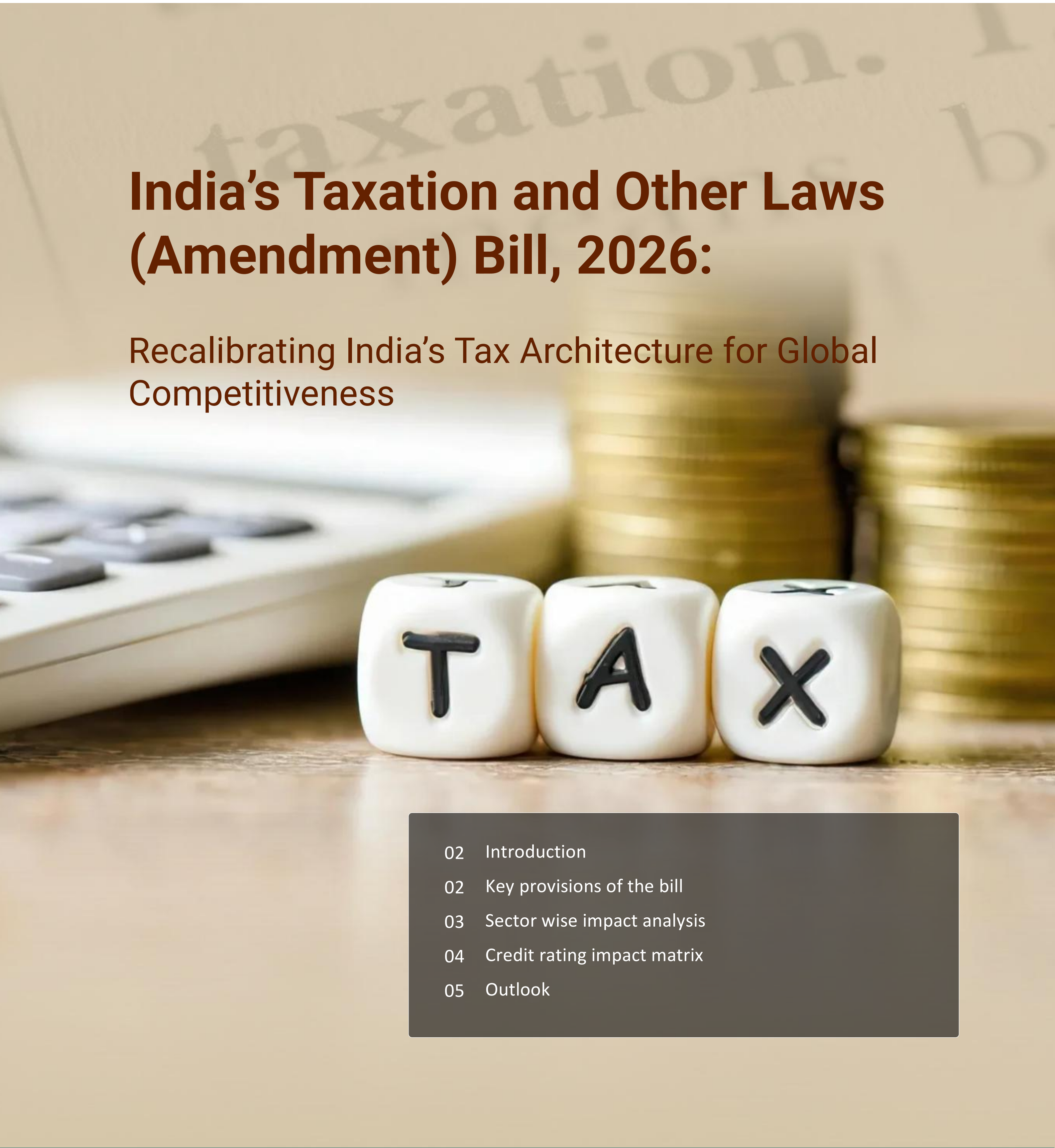
India’s Taxation and Other Laws (Amendment) Bill, 2026:

Recalibrating India’s Tax Architecture for Global Competitiveness



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Introduction and key regulatory proposals

The Taxation and Other Laws (Amendment) Bill, 2026: Simplifying taxation to strengthen investment, compliance and economic growth in India

Structural tax reforms target long-term global capital

The Taxation and Other Laws (Amendment) Bill, 2026 represents a strategic recalibration of India's fiscal policy framework. Introduced in the Lok Sabha on August 4, 2026, and passed by Parliament on August 10, 2026, the legislation replaces the Income-tax (Amendment) Ordinance, 2026, promulgated on June 5, 2026. It introduces structural tax reforms designed to mitigate external geopolitical shocks and disruption in global trade and supply chain, and enhance regulatory predictability. The reforms also seek to attract long-term global capital and modernise the regulatory framework for digital payments.

New bill targets long-term stability, global hub parity, and market depth

By shifting from short-term tax concessions to policy horizons stretching up to two decades - through FY41 for electronics manufacturing, bonded warehousing and diamond trading, and FY47 for data centres - the Bill addresses key friction points across global supply chain warehousing, onshore asset management, digital infrastructure, and sovereign debt markets. The initiative targets long-term macroeconomic stability: deepening domestic financial markets, lowering sovereign debt costs, and establishing parity between Indian economic hubs and competing international financial jurisdictions.

Table 1:
Integrated policy architecture and sectoral transmission matrix

Sector / Domain	Key policy amendment	Economic mechanism & strategic objective	Key beneficiaries	Impact level
Sovereign debt and capital markets	Tax exemption on government securities (G-Sec) interest income and capital gains arising from sale, exchange or transfer of such securities for FIIs and BIS (effective April 1, 2026).	Eliminates up to 30% tax friction on short-term capital gains, 20% on interest income and 12.5% tax for long-term capital gains, attracting long-term foreign debt inflows, deepening bond market liquidity, and lowering sovereign borrowing yields.	FIIs, Central Banks, BIS, Ministry of Finance.	High (Positive)
Electronics and advanced manufacturing	Tax exemption on equipment suppliers extended to March 31, 2041 (FY41); 15-year tax holiday for component warehousing in bonded zones across mobile phones, laptops, tablets, servers and ultra small form factor (USFF), sub-assemblies, hearable and wearables accessories.	Eliminates Permanent Establishment (PE) tax risks for global OEMs, allowing them to hold local buffer stock, reducing import friction and logistics costs for EMS contract manufacturers of electronics goods.	Foreign OEMs, domestic EMS contract manufacturers of electronics goods, tech hardware brands.	High (Positive)
Onshore asset and fund management	Relaxes Eligible Investment Fund (EIF) criteria (removes minimum 25-member rule, INR 100 Crore corpus floor, and 10% single investor cap and investment of 25% of the corpus) in single entity, while maintaining a 5% domestic participation ceiling.	Removes tax uncertainty and establishes regulatory parity between GIFT-IFSC and domestic financial hubs (Mumbai/Bengaluru), encouraging global fund managers to relocate onshore.	Domestic fund managers, foreign portfolio investors (FPIs), private equity funds.	High (Positive)
Data infrastructure and cloud services	Eliminates case-by-case government approvals for foreign cloud providers and extends tax relief to leased, operated or owned data center infrastructure. The	Streamlines regulatory approvals, enabling hyperscalers to expand AI/cloud capacity rapidly through flexible colocation models and to attract foreign investment in Data centres.	Global cloud providers, hyperscalers, colocation data center operators.	Medium-High (Positive)

	exemption provided till March 31, 2047.			
Gems and Jewellery trade	15-year income tax exemption (Oct 1, 2026 – Mar 31, 2041) for foreign diamond miners and sightholders of such companies, broker, aggregator or a tender and trading of rough diamonds in notified special zones.	Shifts physical diamond trading volumes directly from international hubs (Antwerp, Dubai) to Indian trading hubs (Surat, Mumbai), lowering raw material sourcing costs.	Foreign mining conglomerates, Indian cutters, polishers, and trading firms.	Medium-High (Positive)
Real estate and infrastructure (REITs/InvITs)	Restores dividend tax exemption for unitholders, supported by an adjustment of rise in the domestic SPV corporate tax surcharge from 10% to 25%.	Maintains tax-free yields for retail and institutional investors while remaining revenue-neutral through entity-level adjustments.	Retail unitholders, institutional real estate/infrastructure funds.	Neutral to Positive
Digital payments and financial services	Amends Section 10A of the Payment & Settlement Systems Act, 2007, delinking payment mode rules from the Income-tax Act and empowering the Central Government to notify zero levy charges modes selectively.	Restores regulatory flexibility to balance financial inclusion with commercial sustainability, opening avenues for tiered Merchant Discount Rates (MDR) or fee caps on select transactions. However, UPI remains free for consumers.	Acquiring banks, payment gateways, merchants, ecosystem platforms.	Mixed

Sources: Ministry of Finance, Government of India; PRS Legislative; Press Information Bureau; Brickwork Research.

Financial and credit transmission matrix

New tax legislation set to lower capital costs and strengthen corporate balance sheets

The Taxation and Other Laws (Amendment) Bill, 2026 serves as a structural catalyst across India’s macroeconomic and corporate landscape. By directly altering tax frameworks and regulatory mechanics, the legislation strengthens balance sheets, lowers capital costs, and enhances debt-servicing capabilities across key economic sectors.

Table 2:
Financial and credit transmission matrix

Entity / Asset class	Directional credit vector	Balance sheet and credit transmission channels	Strategic credit rationale
Sovereign Credit	Positive-Biased	Sustained foreign portfolio debt inflows, enhanced forex reserves buffer, and accelerated foreign direct investment in core manufacturing sectors.	Reduces benchmark government borrowing costs, cushions foreign exchange volatility, and strengthens external debt coverage ratios.
Electronics and Tech Manufacturing	Positive	Lower operational inventory holding costs, reduced tax liabilities, and extended visibility on long-term capital investment returns.	Enhances operating EBITDA margins, cash flow predictability, and Debt-Service Coverage Ratios (DSCR) for EMS operators.
Data Infrastructure Operators	Positive	Accelerated tenant onboarding, expanded eligibility for leased asset models, and higher long-term occupancy rates.	Lowers counterparty credit and tax risk for foreign hyperscalers, driving long-term lease agreements and stable revenue profiles.
Asset and Fund Management Entities	Positive	Increased Onshore Asset Under Management (AUM), lower litigation exposure, and expanded fee-generation scope.	Diversifies revenue streams for domestic fund managers, expanding interest coverage and financial flexibility.
Banks and Financial Institutions	Neutral to Marginally Positive	Lower wholesale borrowing costs, expanded capital market liquidity, offset by potential fee-income caps on acquiring networks.	Overall expansion in capital market transaction volumes offsets localized transaction fee pressures.
Business Trusts (REITs and InvITs)	Neutral	Protected retail unitholder yields balanced against marginal increases in SPV corporate-level tax surcharges	Maintains access to retail equity capital; SPV tax adjustments are absorbed by underlying operational cash flows.

Sources: Ministry of Finance, Government of India; PRS Legislative; Press Information Bureau; Brickwork Research.

Outlook

Long-term tax exemptions extended to 2041 to drive capital formation and supply chain shift

While targeted tax exemptions introduce immediate fiscal foregone revenue, the broader macroeconomic strategy prioritizes external sector stability, to attract long-term investment and high-multiplier capital formation. Extending tax exemptions through 2041 establishes policy predictability to a foreign company, a key variable for multi-billion-dollar global supply chain relocations for contract manufacturer of electronic goods and provider of digital infrastructure. The resulting inflows of stable, long-term capital are expected to yield secondary macroeconomic benefits: lower benchmark yields across corporate borrowing, deeper capital market integration, and reduced reliance on imported high-tech components.

Administrative execution key to unlocking full potential of tax amendment bill, 2026

The ultimate economic multiplier of the Taxation and Other Laws (Amendment) Bill, 2026 depends on administrative execution. Ensuring frictionless tax reporting for foreign investors and maintaining a clear digital payments framework will be vital to preserving investor confidence. Operating alongside India’s broader structural reform agenda, this legislative framework strengthens long-term fiscal resilience, lowers capital costs, and positions India as a competitive destination for international capital and advanced manufacturing.

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