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Tax Alert - Key announcements  
of Union Budget 2026



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# Union BUDGET 2026-27

## Metals & Mining | Unlocking hidden potential

### Step towards building a resilient, competitive and future-ready mining ecosystem



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The Finance Minister, in her ninth consecutive budget, has given due emphasis to development of metals and mining sector to support manufacturing and infrastructure development in India. Announcements were made towards accelerating domestic capacity for rare earth and critical minerals to build a resilient, competitive and future-ready mining ecosystem.

#### Key policy measures proposed include:

- Establishment of dedicated Rare Earth Corridors to support the mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing.
- Operationalizing 20 new National Waterways over the next five years, starting with NW-5 in Odisha to connect mineral-rich areas of Talcher and Angul, and industrial centers such as Kalinga Nagar to the ports of Paradeep and Dhamra.
- Increase in public capex to INR12.2 lakh crore, infrastructure development in Tier II and Tier III cities, development of High-Speed Rail corridors driving growth in metal and mining sector.
- Carbon Capture Utilization and Storage (CCUS) technologies to achieve higher readiness level in end-use applications across five industrial sectors, including steel, with an outlay of INR20,000 crore.
- Basic Customs Duty exemption to the import of capital goods required for processing critical minerals in India.
- Expenditure on prospecting and exploring certain critical minerals eligible for deduction under the Income Tax Act proposed to be extended to nine additional critical minerals.

Key tax proposals have been discussed in this alert.

#EYonBudget2026

# How does the budget impact the Metals & Mining sector?

## Highlights

### Key amendments

#### Direct Tax

To promote critical mineral exploration, the budget proposes to expand the list of eligible minerals. Expenses incurred during the year of commercial production and any four tax years immediately preceding that year can be claimed as deductions over 10 years on these nine additional minerals as well.

#### Compliance simplification:

- The due date for filing revised ITR is extended from nine months to 12 months from the end of the relevant tax year, with applicable fees.
- Extension of ITR timeline to 31 August for non-audit businesses and trusts.

#### Changes in MAT:

- MAT rate reduced from 15% to 14%.
- MAT to be treated as a final tax for companies continuing under MAT framework with no carry forward / set-off of MAT allowed in future.
- Domestic companies under new regime to carry forward MAT credit available as on 31 March 2026 and set-off up to 25% of tax liability.

#### Cleaner processes for older disputes: DRP timelines and DIN-type technical challenges

- Retrospective clarifications for DRP time-limits (from 2009).
- Minor administrative issues—such as small errors in DIN-related referencing—should not by themselves invalidate an order where the substance is otherwise correct.

#### Transfer Pricing

- **Safe Harbour:** Proposed single Safe Harbour bucket for “Information Technology Services” (software development, ITES, KPO, contract R&D related to software) with a common 15.5% margin.
- **Data center:** Safe Harbour proposed for data center services at 15% on cost .
- **APA:** A faster unilateral APA process for IT services, aimed to be concluded in two years (extendable by six months).
- **DRP limitation:** Retrospective DRP timeline/limitation clarifications going back to 2009 clears the ambiguity on the validity of an assessment.

**Extension of timelines for filing ITR, both original (for non-audit businesses and trusts) and revised, will provide time for undertaking compliance accurately**

**TDS compliance measures streamlined; PAN to replace TAN in NRI property transactions**

**Single Safe Harbour category for IT/ITES, KPO and contract R&D linked to software, with a common margin of 15.5%**

**Easier implementation of APA outcomes of group companies, permitting smoother group-wide reporting and fewer mismatches**

# How does the budget impact the Metals & Mining sector?

## Highlights

### Key amendments

#### Indirect Tax

##### Customs legislative changes and trade facilitation:

- Customs proposals aim to rationalize tariffs, support domestic manufacturing and value addition, promote exports and facilitate trade.
- Binding validity of an advance ruling on the applicant will be extended from three years to five years, unless there is a change in law or relevant facts.
- Owner of any warehoused goods will be allowed to remove such goods from one warehouse to another without requiring permission from the proper officer.
- The Deferred Payment of Import Duty Rules, 2016 are amended to allow monthly duty payment instead of 15 days. The same benefit is extended to a new class of eligible manufacturer importers up to 31 March 2028.
- One-time facilitative measure for eligible manufacturing units in Special Economic Zones to sell goods in DTA, subject to conditions.

**Customs Duty deferral period enhanced from 15 days to a month for AEO T-2 and T-3**

**Deferral benefit also extended to eligible manufacturer importers**

##### Customs Duty rate changes:

- Exemptions on the following products are withdrawn, effectively increasing the BCD:

Description	From (%)	To (%)	With effect from
INVAR	5%	7.50%	02 February 2026
Metal parts (covered under CTH 7325) for use in the manufacture of electrical insulators	7.50%	15%	01 April 2026
Pipes and tubes (covered under Chapter 73) for use in manufacture of boilers	7.50%	Applicable Tariff Rate	01 April 2026

- 28 new tariff items created w.e.f. 01 May 2026 in headings 7305 and 7306.

# How does the budget impact the Metals & Mining sector?

## Key amendments

### Indirect Tax

#### Goods and Services Tax (Amendments in pursuance of the 56th GST Council Meeting):

- Provision requiring discounts to be pre-agreed and linked to specific invoices omitted. Discount to be allowed as deduction if the GST credit note is issued and corresponding input tax credit is reversed by the recipient.
- Provisional refund of 90% to be granted for refunds arising from the inverted tax structure.
- Until the National Appellate Authority for Advance Ruling is constituted, the Government may empower any existing authority to hear the appeals.
- Minimum refund threshold of INR 1,000 not to be applicable in cases of export of goods with payment of tax.
- The place of supply of intermediary services to be the location of the recipient of service.

## Impact analysis

The Budget 2026-27 is aimed to further encourage domestic manufacturing. Metal and Mining sector reforms, including those for critical and rare earth minerals, will help strengthening value chain in India by developing and improving connectivity to mineral-rich regions.

Budgetary allocation of INR 12.2 lakh crores towards public capex, infrastructure development of cities and High Speed Rail corridors, measures to scale up domestic manufacturing will accelerate demand in the metal and mining sector.

Other reforms, duty deferment and ease in clearance of imported goods, provisional refunds will facilitate trade, ease of doing business and unlock block funds.

## Glossary

BCD - Basic Customs Duty

CBDT - Central Board of Direct Taxes

CGST Act - Central Goods and Services Tax Act, 2017

GST - Goods and Services Tax

DTA - Domestic Tariff Area

DIN - Document Identification Number

DRP - Dispute Resolution Panel

FB - Finance Bill

Gol - Government of India

IGST - Integrated Goods and Services Tax

ITC - Input Tax Credit

ITL - Income Tax Act 1961 read with Income Tax Rules 1962

ITR - Income Tax Return

MAT - Minimum Alternate Tax

NR - Non-resident

PAN - Permanent Account Number

PE - Permanent Establishment

SWS - Social Welfare Surcharge

TDS - Tax Deducted at Source

WHT - Withholding taxes



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