

Quote by Kanishk Maheshwari, Co-founder and Managing Director, Primus Partners

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Budget 2026: Custom reforms will reduce dwell time, compliance friction, say experts

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Article Content:

In a bid to further simplify the tariff structure, support domestic manufacturing, promote export competitiveness, and correct duty inversion, Finance Minister Nirmala Sitharaman proposed certain reforms in customs and central excise duties while announcing the Union Budget 2026-27 on Sunday.

Specifically for promoting exports of marine, leather and textile products, the FM proposed increasing the limit for duty-free imports of specified inputs used for processing seafood products for export from the current 1% to 3% of the FOB value of the previous year's export turnover.

"I also propose to allow duty-free imports of specified inputs, currently available for exports of leather or synthetic footwear, to exports of Shoe Uppers as well," she stated.

Besides this, the FM proposed extending the time period for export of the final product from the existing six months to one year for exporters of leather or textile garments, leather or synthetic footwear and other leather products.

Vijay Kumar, CEO, Express Industry Council of India (EICI), said these reforms will meaningfully reduce dwell time and compliance friction at a sectoral level. "At a macro level they strengthen India's ability to scale MSME exports, improve trade velocity, and position its express gateways as globally competitive trade enablers," he highlighted.

In her Budget speech, FM Sitharaman also announced measures to address concerns arising about the utilisation of capacities by manufacturing units in the Special Economic Zones due to global trade disruptions. "I propose, as a special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports. Necessary regulatory changes will be undertaken to operationalise these measures while ensuring a level playing field for the units working in the DTA," she said.

Bipin Sapra, Partner and National Indirect Tax Policy Leader, EY India, stated that the Budget simplifies the customs tariffs by rationalising exemptions and embedding effective rates. "Crucially, customs is transitioning to a trust-based, fully digital framework along with AI-enabled scanning, faster clearances and predictable rulings, marking a significant step forward in ease of

doing business. It also gives a boost to cross-border e-commerce exports by removing procedural and value-related constraints, enabling wider global market access for Indian MSMEs and start-ups,” he said.

Sector exports stated the significance of these measures for their industry. Rajesh Rokde, Chairman, All India Gem & Jewellery Domestic Council (GJC), said the Union Budget 2026-27 reflects a stable and sensitive approach towards the gems & jewellery industry. “The absence of any increase in customs duty or GST, continued policy certainty, strong MSME and cluster support, ease-of-doing-business measures, and litigation-reducing income-tax reforms together provide confidence to the trade and reinforce the government’s recognition of our sector as a key contributor to employment, exports, and economic growth,” he said.

Kanishk Maheshwari, Co-founder & Managing Director, Primus Partners, highlighted that the reduction in customs duty rates will promote export competitiveness across strategic sectors, such as aviation and defence, electronics, lithium-ion battery manufacturing, and power, and will provide thrust to domestic manufacturing.