



# WIDE ANGLE

The Ventura Pranas Quarterly Newsletter

---

February 2026

## CONTENTS

1. Welcome Note	2
2. Client Portal Highlights	3
3. Union Budget 2026-27 (India)	4
4. Pass-Through Entity Tax (PTET) (US)	6
5. R&D Credit (US)	8
6. Prabha's Office Locations & Appointments	11



# WELCOME NOTE

Hello Clients,

Welcome to the first edition of our Newsletter for 2026. Here's wishing all of you a happy 2026 and a prosperous year ahead.

We are happy to provide you some updates that have been made to the client portal which will impact the way we interact with you. We have highlighted them later in this edition.

To better acclimatize our client to the changes, we have also held two webinars to demonstrate what's new. If you missed this and would like to attend, please email us at [newsletters@venturapranas.com](mailto:newsletters@venturapranas.com) and we will add you to the list.

Some highlights of what is lined up for Q1 of 2026:

- A webinar on the Indian Budget and its impact on our cross-border clients
- A webinar on the OBBBA
- We will be using the portal for all approvals going forward such as tax returns, SOS, Annual reports and so on. We urge you to use the portal for all approvals, so we have documented consent. These Approvals will also help us track status of filing completion at our end.
- Finally, we will be sharing status of your projects at the firm from EL sign up to completion.

We look forward to any feedback you might have on the Portal and if there are any changes we can implement.

Also, expect to hear from our team if we evaluate and determine that you will benefit from PTET elections. You will find a section later in this Newsletter that highlights the benefits.

If you file corporate returns and may benefit from availing the OBBBA modification that allows you to fully write off R&D expenses, our team will make the initial assessment and be in touch with you for amendments.

We look forward to working with you in 2026.

Sincerely,  
Prabha

# CLIENT PORTAL HIGHLIGHTS

At Ventura Pranas, delivering strong technical outcomes is only part of what great service means. Our latest client portal update now has new features that create a more transparent, secure and user-friendly experience.

## Open Item Checklists

Managing document requests can be one of the most time-consuming parts of any engagement. When requests are spread across emails, attachments, and reminders, it's easy for things to be missed or duplicated. The Open Item Checklist changes this.

- Enhanced Checklist Overview UI to display all checklists in one unified view.
- Allows bulk uploads and automatically matches documents where possible
- Enjoy a clearer view with real-time updates, progress percentage, and smoother interactions.

## The Vault

While document sharing is one part of collaboration, certain engagements require another type of information: passwords, system credentials, and confidential identifiers.

- A dedicated, encrypted storage for sensitive information.
- Ability to grant or revoke access at any time
- Information can only be accessed by authorized staff, with full visibility into access history

## Approvals

One of the most important steps in the tax filing process is client approval. To streamline this process, we have introduced a dedicated Approvals section within the portal.

- Easy access to project approvals with just a few clicks of a button. No printing, scanning and emailing back-and-forth.
- Eliminates unnecessary printing and scanning, creates a clear record, and
- Provides filing authorization and immediate confirmation to both you and our team

With these features, you can enjoy clear visibility on outstanding items and progress, fewer emails and follow-ups, faster turnaround on work, and secure handling of sensitive data. To ensure a smoother process, we encourage all our clients to use the portal for all projects and approvals.

Our engagement teams are ready to guide you, and detailed instructions are always available if needed. If you would like to know more about these features in detail, please email us at [newsletters@venturapranas.com](mailto:newsletters@venturapranas.com).

As always, we welcome your feedback as we continue refining the experience.

# UNION BUDGET 2026-27 (INDIA)

On 1st February, the new Union Budget for 2026-27 was announced, with a major focus on strengthening economic growth through manufacturing in strategic sectors. However, here are some important highlights from the Budget that may pertain to you.

## Income Tax Rates & Filing

The New Budget	The Earlier Budget
Income between 0-4 lakh rupees - Nil tax	Income between 0-3 lakh rupees - Nil tax
Income between 4-8 lakh rupees - 5% tax	Income between 3-7 lakh rupees - 5% tax
Income between 8-12 lakh rupees*** - 10% tax	Income between 7-10 lakh rupees - 10% tax
Income between 12-16 lakh rupees - 15% tax	Income between 10-12 lakh rupees - 15% tax
Income between 16-20 lakh rupees - 20% tax	Income between 12-15 lakh rupees - 20% tax
Income between 20-24 lakh rupees - 25% tax	
Above 24 lakh rupees - 30% tax	Above 15 lakh rupees - 30% tax

\*\*\*Rebate is available for assesses whose income is less than Rs. 1,200,000 – benefit up to Rs. 60,000/ on tax payable. If income exceeds Rs. 1,200,000, there is a partial rebate equal to the extra tax payable over Rs. 1,200,000.

There is a staggered timeline for filing of tax returns due on the 31st of July. Individuals filing ITR 1 and ITR 2 shall continue to file tax returns by the 31st July, and 31st August for non-audit business cases or trusts.

Taxpayers can file an Updated Return within 48 months from end of the relevant Assessment year. Additional tax to be paid shall be 25%, 50%, 60% and 70% for 12, 24, 36 and 48 months respectively. If the return is updated after receiving assessment notice, it shall be increased by 10%.

## For Individuals

- Buyback taxation has shifted to Capital Gains and are now excluded from the definition of dividend. Shareholders will be impacted, and promoters and corporate holding companies face higher effective rates of 22% and 33%.
- STT is increased on futures from 0.02% to 0.05% and on options premium & exercise to 0.15%. This raises transaction costs for market participants, and there will be a disproportionate impact on brokers.
- Interest on Motor Accident Claims Tribunal (MACT) compensation is fully exempt from TDS.
- Multiple TCS rates have been reduced to a uniform rate of 2%, simplifying compliance for overseas tour packages, students and medical treatment patents.

## Foreign Assets Disclosure Scheme (FAST-DS 2026)

- A voluntary compliance window is announced to regularise undisclosed foreign assets and income of small taxpayers.
- This one-time scheme is targeted at individuals with ESOPs/RSUs, dormant foreign bank accounts, inherited foreign assets, or cases of inadvertent non-disclosure.
- It covers:
  - Undisclosed foreign assets and income where the aggregate value does not exceed ₹1 crore. Tax is payable at 60% (30% tax on FMV of asset or undisclosed income, whichever is higher, plus 30% additional tax).
  - Income disclosed but foreign assets not reported where the aggregate value of foreign assets does not exceed ₹5 crore and assets were not reported in Schedule FA. Flat fee of ₹1 lakh payable.
- Fair Market Value of foreign assets to be determined as on 31 March 2026.
- Declarations under the scheme are to receive full immunity from penalty and prosecution under the Black Money (Undisclosed Foreign Income and Assets) Act.
- Foreign assets (other than immovable property) with aggregate value not exceeding ₹20 lakh are exempt from prosecution under the Black Money Act. Applicable retrospectively from 1 October 2024.
- Exclusions from the Scheme: Assets representing proceeds of crime under PMLA are not eligible. Neither are cases where assessment proceedings are already completed.

## For Companies & Businesses

- MAT rate has been reduced from 15% to 14%. MAT under old regime is treated as final tax with no fresh MAT credit allowed.
- Existing MAT credit can be used only under new regime and is capped at 25% of tax liability. It is not allowed where company converts into LLP.
- MAT credit restriction of 25% will also apply while computing interest on self-assessment tax, advance tax and deferment.
- Employee contributions to PF/ESI will be allowed as deduction if it is deposited by the due date of filing return.

# PASS-THROUGH ENTITY TAX (PTET) (US)

The Pass-Through Entity Tax (PTET) is a state-level tax regime adopted by many U.S. states as a workaround to the federal \$10,000 limit on State and Local Tax (SALT) deductions. Under PTET, the tax is paid at the entity level rather than by individual owners and thus, it is fully deductible for federal income tax purposes as a business expense. It applies to pass-through entities, including S Corporations, Partnerships and LLCs, as well as individual owners, trusts and sometimes estates.

This is a nationwide initiative, and more than 30 U.S. states have enacted some form of elective or mandatory PTET legislation. Each state's PTET regime has different rules regarding eligibility, tax rates, election procedures, and whether the resulting credit is refundable.

## Key Updates in FY 2026

### Federal SALT Environment

The federal SALT deduction cap (originally \$10,000) was temporarily boosted to \$40,000 for tax years 2025–2029 by the One Big Beautiful Bill Act. This cap will adjust annually and then revert to \$10,000 after 2029. As a result, the need for PTET planning remains significant in 2026, especially for high-income owners in high/state-tax states, though the incentive calculus changes due to the higher SALT cap.

### States with more flexible/later election mechanics:

- **Indiana:** Election may be made any time during the taxable year or on the entity's timely filed return (including extensions).
- **Mississippi:** Election may be made any time during the tax year, or by the return due date, or by the date the return is filed (and it can remain in effect until revoked).
- **Louisiana:** Election can be made prior to or during the tax year or by the return due date (NOT including extensions). Late elections may be allowed with reasonable cause.
- **Iowa:** Election may be made on a timely filed return (including extensions) or separately online prior to filing.

### States with separate election forms and fixed timing:

- **New Jersey:** Election due by the 15th day of the 3rd month after year-end (e.g. calendar-year: March 15).
- **Michigan:** Election is effectively made by paying via Treasury online by the 15th day of the 3rd month of the tax year (calendar-year: March 15).

### States with late/extended election window:

- **Oklahoma:** A recent update extended the election window significantly given through Sept 30, 2026 for a 2025 election for calendar-year taxpayers.

### States with strict election windows:

- **New York:** Election must be made Jan 1-Mar 15 of the tax year.

**States that are sunsetting PTET with no election available for TY 2026 without legislative action:** Minnesota, Illinois, Oregon, Utah and Virginia. In these states, PTET does not apply to tax years beginning after December 31, 2025.

**California's Changes:**

- California extended the elective PTET program through tax years 2026–2030, whereas before, it was limited through 2025.
- California offers an elective PTET regime that allows eligible pass-through entities to pay California state income tax at the entity level rather than at the individual owner level.
- Election is made through timely payment and reporting on the entity's California tax return
- PTET applies broadly to qualified net income allocable to consenting owners and is not limited to ordinary business income
- What does this mean? For California business owners with high levels of pass-through income, particularly those whose Adjusted Gross Income exceeds approximately \$600,000, the PTET election can result in meaningful federal tax savings.
- For 2026 tax year, the PTET process is as follows:
  - June 15, 2026 - Mandatory prepayment
  - March 15, 2027 - Payment of the remaining PTET balance with the California return

You can expect our team to have evaluated whether you are eligible and will benefit from the PTET election and where we determine that this will have a favorable tax impact, our team will be reaching out for next steps including approvals to file the PTET and vouchers towards the prepayment of State taxes using your pass-through entities.

## R&D CREDIT (US)

Research and Development (R&D) expenditures are a cornerstone of U.S. innovation policy, with their tax treatment primarily governed by Internal Revenue Code (IRC) Section 174.

Historically, taxpayers could either immediately deduct R&D expenditures or elect to amortize them over a period of not less than 60 months. The Tax Cuts and Jobs Act of 2017 (TCJA) then required capitalization and amortization of “specified research or experimental expenditures” (SREs) over five years for domestic research and 15 years for foreign research, effective for tax years beginning after December 31, 2021.

Now, the One Big Beautiful Bill Act (OBBBA) has permanently reinstated immediate expensing for domestic R&E expenditures under new Section 174A, while retaining the 15-year amortization requirement for foreign research under amended Section 174.

### Federal Law Changes

For tax years beginning after December 31, 2024, **Section 174A** allows taxpayers to immediately deduct domestic R&D expenditures paid or incurred in connection with their trade or business. This includes all amounts paid or incurred for software development, which are now explicitly treated as R&D expenditures.

Taxpayers may elect to amortize domestic R&D expenditures over a period of not less than 60 months, beginning with the month in which the taxpayer first realizes benefits from such expenditures. This election must be made by the due date (including extensions) of the return for the year in which the expenditures are paid or incurred and, once made, must be consistently applied unless a change is approved by the IRS.

Foreign R&E expenditures must be capitalized and amortized over 15 years, with no option for immediate deduction.

**Section 41** provides a tax credit for increasing research activities, generally equal to 20% of the excess of qualified research expenses (QREs) over a base amount. Qualified research is defined as research with respect to which expenditures are treated as domestic R&E expenditures under Section 174A. This change eliminates the compliance complexity under TCJA by aligning the timing of the deduction for R&D expenditures with the calculation of the R&D credit.

#### Available to:

QREs: In-house research expenses (wages, supplies, and certain computer costs) and contract research expenses.

#### Not Available For:

Research conducted outside the U.S., research in the social sciences, arts, or humanities, or research funded by another person or government entity. Foreign research is not eligible.

## State Law Changes & Conformity

States have responded to the federal changes in a variety of ways, resulting in a patchwork of conformity rules:

<p>Rolling-Conformity States</p>	<p>These states automatically conform to the Internal Revenue Code as amended.</p> <p>The new federal expensing rules for domestic R&amp;E expenditures under Section 174A flow through without further legislative action.</p>
<p>Static or Frozen-Conformity States</p>	<p>E.g. Arizona, California, Kentucky</p> <p>“Frozen” on an older version of the IRC or have paused conformity.</p> <p>The TCJA’s amortization rules continue to apply for state tax purposes until the legislature updates conformity.</p>
<p>Selective Non-Conformity States</p>	<p>Some states, such as Wisconsin and Tennessee, rejected the TCJA’s amortization requirement and preserved immediate expensing under their own statutes.</p> <p>Michigan decouples from federal expensing entirely and offers a refundable state credit for in-state research costs based on Section 174A.</p> <p>Mississippi allows taxpayers to elect between full expensing and amortization, but requires separate tracking if the taxpayer changes its election.</p>
<p>States with Franchise Tax or Unique Credit Rules</p>	<p>Texas, for example, imposes a franchise tax and its research credit relies on Section 41 definitions (fixed to 2011). Beginning with franchise tax reports due on or after January 1, 2026, Texas will align its credit calculation with current Section 41 and adopt rolling conformity to federal R&amp;D credit rules.</p>

## Considerations for Expensing, Amortization, and Amendments

Taxpayers must evaluate whether to expense or amortize domestic R&D expenditures depending on their current and projected taxable income, the ability to utilize deductions or losses, and the broader implications for owners in pass-through structures.

Taxpayers may deduct any remaining unamortized domestic R&E entirely in 2025, or over a two-year period (2025 and 2026). This option allows taxpayers who are not eligible to amend prior-year returns to still obtain accelerated recovery of capitalized R&D without reopening closed tax years.

Eligible small businesses may elect to apply Section 174A retroactively by amending their 2022–2024 returns to deduct R&E costs immediately.

### So What?

The OBBBA has fundamentally changed the federal landscape for R&D expensing by restoring immediate expensing for domestic R&E expenditures and aligning the timing of deductions with the calculation of the R&D credit. However, state conformity remains highly variable, creating a complex compliance environment for multistate taxpayers. Paying careful attention to federal and state-specific regulations is essential to optimize R&R benefits.

If you would like us to evaluate your situation and prepare the amended returns, if found a favorable option, please email us at [contact@venturapranas.com](mailto:contact@venturapranas.com).

# PRABHA'S OFFICE LOCATIONS & APPOINTMENTS



Our director, Prabha Srinivasan will be available for appointments in Bay Area, Bangalore and Trichy.

## **Bay Area:**

February 22 – February 28

## **Bangalore:**

May 18 – May 19

## **Trichy:**

May 20 – May 21

For appointments outside of these windows, Prabha will be available at our Chennai office.

To book an appointment, please send an email to [ea@venturapranas.com](mailto:ea@venturapranas.com), along with details of what you would like to discuss and your time zone, so we can schedule the call or appointment for an appropriate time. Alternatively, you may email Prabha directly at [psrinivasan@venturapranas.com](mailto:psrinivasan@venturapranas.com).



**CONTACT US**

Visit us at [www.venturapranas.com](http://www.venturapranas.com) to learn more.

To stay posted on all tax law updates, follow us on LinkedIn.