

Companies warm to buybacks as tax changes sweeten deal

Weak share prices also make it attractive for cash-rich firms to repurchase stock

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Share buybacks are making a comeback in India, with a clutch of companies announcing repurchase plans this month. The trend signals a shift in corporate payout strategies following recent changes to the tax framework and a fall in stock prices, experts said.

Wipro, Aurobindo Pharma, and Cyient are among half a dozen companies that have proposed share repurchase programmes so far this month, typically a period when companies distribute their final dividends.

The revival in buybacks follows the recast in taxation under the Finance Act,

2026, which came into effect on April 1. Under the new regime, gains are taxed as capital gains in the hands of shareholders, replacing the earlier “deemed dividend” approach that had dented their appeal. “The recent surge in buyback announcements is largely driven by tax rationalisation,” said Hitesh Sawhney, partner at Price Waterhouse & Co LLP.

“The shift back to capital gains taxation makes buybacks meaningfully more tax-efficient for non-promoter shareholders, prompting companies to revisit such programmes.”

Buyback activity had remained subdued over the past two years. In 2025-26, 16 companies repurchased shares worth ₹19,500 crore, according to Prime Database. In 2024-25, the total stood at ₹8,034 crore — sharply lower than ₹50,750 crore in 2023-24, when the tax regime was more favourable.

The taxation of buybacks has undergone three sharp shifts in recent years. Until September 2024, companies paid a buyback distribution tax, while shareholders were exempt. This changed

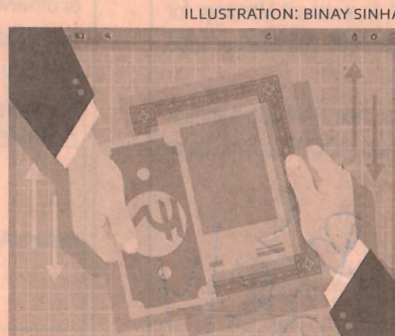


ILLUSTRATION: BINAY SINHA

(Buy)Back in vogue

Companies that have announced buyback plans this month (Proposed amt ₹ cr)

Wipro	15,000
Aurobindo Pharma	800
Cyient	720
Windlas Biotech	47
Jagsonpal Pharma	40
EMA Partners	7

Source: Capitaline

in October 2024, when proceeds were taxed as dividends in shareholders’ hands at slab rates, pushing effective tax rates for some investors above 40 per cent and curbing activity.

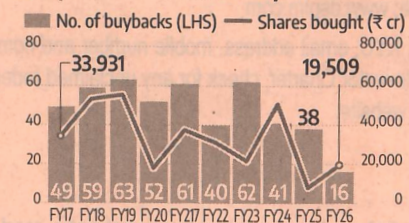
“For most non-promoter shareholders, the shift is from full slab-rate taxation to capital gains rates, which are typically lower and can be optimised through loss set-offs,” Sawhney said. “Promoters, however, face a higher effective rate designed to

align their tax burden with regular income levels, limiting arbitrage.”

Market conditions may also be aiding the revival. On a year-to-date basis, the Nifty 50 is down nearly 8 per cent, while the IT index has declined about 23 per cent, making buybacks an attractive option for cash-rich firms.

Beyond tax efficiency, buybacks can also be used to signal that companies view their stocks as undervalued.

After two subdued years, buyback activity is expected to rebound this year



Source: Prime Database

“The resurgence of buybacks as a shareholder reward mechanism is likely to continue, particularly in volatile markets and where companies seek to improve metrics such as earnings per share and return on equity,” said Aditya Prasad, partner at Cyril Amarchand Mangaldas.

“With limited growth projects, firms prefer buybacks over hoarding cash, lifting earnings per share. Recent announcements reflect confidence in core business

strength and signal to markets that shares are cheap. Buybacks also counter foreign outflows and market volatility stemming from global events,” added Alay Razvi, managing partner, Accord Juris.

While dividends remain a mainstay for income-focused investors, analysts expect buybacks to gain traction as well. “Buybacks will complement, not replace, dividends, given their inherent limitations on size, frequency, and capital deployment,” observed Prasad.

Further momentum could come from the Securities and Exchange Board of India’s proposal to reintroduce open-market buybacks. This would allow companies to acquire shares gradually, instead of through fixed-price tender offers, offering greater flexibility and helping support share prices during volatile periods.

“The open-market route, before its phased withdrawal, was a popular method for executing buybacks,” Prasad said. “With tax rules turning favourable, a well-designed framework could act as an additional tailwind,” added Sawhney.