Highlights of the Union Budget 2026-27

- In the past 12 years, India's economy has grown steadily with stable growth and low inflation due to focused decisions by Prime Minister Modi's government.
- **We prioritized action over ambiguity, reform over rhetoric, and people over populism.** Reforms were implemented for employment generation, agricultural productivity, and household purchasing power.
- **The** Govt. has undertaken comprehensive economic reforms towards creating employment, boosting productivity and accelerating growth.
    - After the **PM's announcement on Independence Day in 2025**, **over 350 reforms have been rolled out.**
    - These include GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders.
    - **The Reform Express continues to gain momentum, as announced in the Budget 2025-26. Significant reforms have been implemented in areas such as customs and other indirect taxes, as well as direct taxation measures.**
    - These initiatives aim to improve the Ease of Living & Ease of doing business for our citizens & businesses respectively by simplifying processes and reducing burdensome regulations.
- **In the Viksit Bharat Young Leaders Dialogue 2026, several innovative ideas were shared with Prime Minister, which have inspired many of the proposals, making this a unique Yuva Shakti-driven Budget.**
- PM Modi led NDA government's **'Sankalp' is to support the poor, underprivileged, and disadvantaged**. To deliver on this Sankalp, we are inspired by 3 *kartavya*:
    1. **Kartavya 1:** To accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.
    2. **Kartavya 2:** To fulfil aspirations of our people and build their capacity.
    3. **Kartavya 3:** To ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

Kartavya 1: To accelerate and sustain economic growth, the Budget focuses on 6 areas:

1. Scaling up manufacturing in 7 strategic and frontier sectors:

- To develop India as a global Biopharma manufacturing hub the Budget introduces the **Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation), a ₹10,000 crore initiative over 5 years for domestic biologics and biosimilars production.**
- **India Semiconductor Mission (ISM) 2.0 will be launched** to produce equipment and materials, **design full stack Indian IP, and fortify supply chains of semiconductors**.
- Increase in outlay for **Electronics Components Manufacturing Scheme** to ₹40,000 crore.

- Support for the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to **establish dedicated Rare Earth Corridors,** to promote mining, processing, research and manufacturing.
- To enhance domestic chemical production and reduce import dependency, the Govt will launch a Scheme to support States in **establishing 3 dedicated Chemical Parks.**
- **To Build Strong Capital Goods capability**
    - **Hi-Tech Tool Rooms** will be established by CPSEs at 2 locations
    - A Scheme for Enhancement of **Construction and Infrastructure Equipment (CIE)** will be introduced to strengthen domestic manufacturing of **high-value and technologically-advanced CIE.**
    - **To create a globally competitive container manufacturing ecosystem,** a Scheme for **Container Manufacturing with a budgetary allocation of ₹10,000 crore.**
- **For the Labor-intensive Textile Sector, 5-part integrated program is proposed**: (a) National Fibre Scheme for self-reliance in various fibers; (b) Textile Expansion and Employment Scheme to modernize traditional clusters with capital support; (c) National Handloom and Handicraft Program to integrate and strengthen existing schemes for weavers and artisans; (d) Tex-Eco Initiative to promote sustainable textiles and apparels globally; and (e) Samarth 2.0 to modernize the textile skilling ecosystem through industry and academic collaboration.
    - **'Mahatma Gandhi Gram Swaraj'** initiative to be launched to strengthen khadi, handloom and handicrafts.

2. **Rejuvenating Legacy Industrial Sectors**
    - The Budget introduces a **Scheme to revive 200 Legacy Industrial Clusters to improve their cost competitiveness and efficiency.**
3. **Creating "Champion MSMEs": The Budget Introduces 3-pronged approach to help MSMEs grow as 'Champions':**
    - **Equity Support:** Introduction of a **dedicated ₹10,000 crore SME Growth Fund**, to create future Champions & **Top up** the **Self-Reliant India Fund** set up in 2021, **with ₹2,000 crore** to continue support to micro enterprises.
    - **Liquidity Support via maximizing TReDS's impact.**
    - **Professional Support:** To develop a cadre of 'Corporate Mitras', especially in Tier-II and Tier-III towns to help meet MSMEs compliance requirement.
4. **Delivering a powerful push to Infrastructure:**
    - In FY2026-27, Budget proposes to increase **Public Capex to ₹12.2 lakh crore, highest ever.**
        - To encourage states to implement reforms and engage in productive spending by allocating Special Assistance to States for Capital Investment (SASCI). This allocation goes beyond the Finance Commission recommendations and has increased by 23% year-on-year, amounting to **Rs. 1.85 lakh crore** in FY 2026-27.

        - The '**Effective Capex' is proposed to be 4.4% of GDP**, which is the highest in last 10 years. (Rs. 17.1 lakh crore)
    - **Infrastructure Risk Guarantee Fund** will be set up to provide prudently calibrated partial credit guarantees to lenders.
    - To promote environmentally sustainable movement of cargo:
        - Establish new **Dedicated Freight Corridors connecting Dankuni in the East, to Surat in the West**
        - Operationalise **20 new National Waterways (NW) over next 5 years**
        - Launch a **Coastal Cargo Promotion Scheme** for incentivising a modal shift from rail and road.

5. **Ensuring long-term energy security and stability**

   Carbon Capture Utilization and Storage (CCUS): **An investment of ₹20,000 crore is planned over the next 5 years to scale up CCUS technologies** for various applications across 5 industries (power, steel, cement, refineries, and chemicals).

6. **Developing City Economic Regions & High-Speed Rail corridors**
    - To amplify potential of cities to deliver the economic power of agglomerations by mapping **city economic regions (CER)**, based on their specific growth drivers. **An allocation of ₹ 5000 crore per CER over 5 years for implementing city economic region's plans.**
    - The Govt will **develop 7 High-Speed Rail corridors between cities as 'growth connectors'**, namely i) Mumbai-Pune, ii) Pune-Hyderabad, iii) Hyderabad-Bengaluru, iv) Hyderabad-Chennai, v) Chennai-Bengaluru, vi) Delhi-Varanasi, vii) Varanasi-Siliguri.

Kartavya 2: To fulfil aspirations of our people and build their capacity.

- 4 key areas include creating professionals, improving education, sports and tourism.
- Budget proposes to set up a **High-Powered 'Education to Employment and Enterprise' Standing Committee** to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat.

1. Creation of professionals for Viksit Bharat

- **Health**
    - Addition of **100,000 Allied Health Professionals (AHPs) over the next 5 years**.
    - In the coming year, **1.5 lakh caregivers will be trained**.
    - **Scheme to be launched to support States in establishing 5 Regional Medical Hubs, in partnership with the private sector.**
    - **3 new All India Institutes of Ayurveda will be set up**;
- **Animal Husbandry:** To **scale up availability of veterinary professionals by more than 20,000**, Govt. to roll out a loan-linked capital subsidy support scheme for **establishment of veterinary**

and para vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.

- **Orange Economy:** Govt. to support the **Indian Institute of Creative Technologies**, Mumbai in setting up **AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.**

2. **Education**
   - Govt will support States, through challenge route, in creating **5 'University Townships' in the vicinity of major industrial and logistic corridors.**
   - Through VGF/capital support, **1 girls hostel will be established in every district**.
   - **4 Telescope Infrastructure facilities will be set up or upgraded** - the National Large Solar Telescope, the National Large Optical Infrared Telescope, the Himalayan Chandra Telescope and the COSMOS 2 Planetarium.

3. **Sports**
   - Launch of a **Khelo India Mission** to transform the Sports sector over the next decade.
   - The Mission will facilitate: a) An integrated talent development pathway b) systematic development of coaches and support staff; c) integration of sports science and technology; d) competitions and leagues to promote sports culture e) development of sports infrastructure for training and competition.

4. **Tourism**
   - **National Institute of Hospitality to be setup by upgrading the existing National Council for Hotel Management and Catering Technology.**
   - Pilot scheme for **upskilling 10,000 guides in 20 tourist sites through a standardized, high-quality 12-week training course**
   - To **develop 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace into vibrant, experiential cultural destinations.**

Kartavya 3: To ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation. (Sabka Saath, Sabka Vikas)

This requires targeted efforts for

i. Increasing farmer incomes

- Integrated **development of 500 reservoirs and Amrit Sarovars for fisheries growth**
- **Strengthening the fisheries value chain in coastal areas**, involving startups and women-led groups with Fish Farmers Producer Organizations
- **Supporting animal husbandry sector** through entrepreneurship development programs like Credit-Linked Subsidy Programme, livestock farmer producer organizations, modernization of livestock enterprises, and creation of integrated value chains for dairy and poultry.
- **Promoting high-value agriculture in coastal areas with crops such as coconut, sandalwood, cocoa, and cashew;** nuts like almonds, walnuts, and pine nuts in hilly regions

- **Coconut Promotion Scheme to increase production and productivity through various interventions** including replacing old trees with new saplings/plants/varieties
- **Dedicated program for cashew and cocoa to make India Atmanirbhar in raw materials**, enhance export competitiveness, and transform them into premium global brands by 2030
- Launching **Bharat-VISTAAR**, an **AI tool that integrates AgriStack portals, ICAR package on agricultural practices**, **and AI systems** to enhance farm productivity and provide customized advisory support for farmers.
- Establishing **SHE-Marts for rural women-led enterprises as community-owned retail outlets within cluster level federations through enhanced and innovative financing instruments**

ii. Empowering Divyangjan

- **Divyangjan Kaushal Yojana to provide task-oriented and process-driven livelihood opportunities** in IT, AVGC, hospitality, and food and beverages sectors.
- **Divyang Sahara Yojana** for timely access to high-quality assistive devices for all eligible Divyangjans.

iii. Empowering the vulnerable

- **Mental health and trauma care:** Set up a NIMHANS-2 institute in north India and upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.
- **Strengthen emergency and trauma care capacities by 50% in District Hospitals**.

iv. Focus on Purvodaya states and the North-Eastern region

- Develop an integrated East Coast Industrial Corridor with a node at Durgapur.
- Create **5 tourism destinations & provide 4,000 e-buses for public transportation** in the 5 Purvodaya States.
- **Scheme for Development of Buddhist Circuits** in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram, and Tripura to preserve temples, monasteries, pilgrimage interpretation centers, connectivity, and pilgrim amenities.

Financial Sector

- Setting up a "**High Level Committee on Banking for Viksit Bharat**", to comprehensively review **Banking sector** and align it with India's next phase of growth.
- Comprehensive **review of the Foreign Exchange Management (Non-debt Instruments) Rules** to create a more contemporary, user-friendly framework for foreign investments.
- To **encourage** the **issuance of municipal bonds of higher value by large cities**, Budget proposes an **incentive of ₹100 crore for a single bond issuance of more than ₹1000 crore**.

Ease of Doing Business

- Individual **Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme.**
- It is also proposed to **increase the investment limit for an individual PROI** under this **scheme from 5% to 10%,** with an overall investment limit for all individual PROIs to 24%, from the current 10%.

Fiscal Deficit

- In FY 2021-22 the Govt charted out a fiscal glide path to reduce fiscal deficit below 4.5 % of GDP by 2025-26.
    - **Fiscal deficit In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 % of GDP.**

PART B

Indirect Tax

Custom Process Reforms

- **Minimal intervention in custom processes for smoother and faster movement of goods**
- **Duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators (AEOs) enhanced from 15 days to 30 days**
- Validity period of advance ruling, binding on Customs, extended from 3 years to 5 years
- Government agencies will be encouraged to leverage AEO accreditation for preferential treatment in clearing cargo.
- **Recognize regular importers with trusted supply chains** in the risk system, **minimizing verification of their cargo**
- Allow import of goods not needing compliance by filing bill of entry electronically and automatically notify Customs for clearance formalities
- **Transform warehousing framework into a warehouse operator-centric** self-declaration, electronic tracking, and risk-based audit syste
- Process approvals required for cargo clearance through a s**ingle and interconnected digital window** by the end of the financial year
    - Processes involving clearance of food, drugs, plant, animal & wildlife products on this system will be operationalised by April 2026
- Customs Integrated System (CIS) will be rolled out in 2 years as an integrated and scalable platform for all customs processes
- Utilization of non-intrusive scanning will be expanded with advanced imaging and AI technology for risk assessment, scanning every container across major ports.

New Export Opportunities:

- Fish catch by Indian fishing vessels in EEZ or High Seas will be made duty free.
    - Landing of such fish on foreign port treated as export of goods.
- To support aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce value cap (₹10 lakh) on courier exports completely removed.

Other Indirect Taxation announcements in the Union Budget 2025-26

Promotion of Exports of Marine Leather and Textile Products

- **Increase limit for duty-free imports of specified inputs** used for **processing seafood products from 1% to 3% of previous year's export turnover**
- **Allow duty-free imports for shoe uppers also** (currently only for leather or synthetic footwear)
- Extend time period for export of final product from 6 months to 1 year for exporters of leather, textile, and footwear products
- **Energy transition and security**: Exempt basic customs duty on capital goods used for manufacturing lithium-ion cells for battery energy storage systems (currently only for batteries)
    - Exempt basic customs duty on import of sodium antimonate for solar glass production
- **Nuclear Power**: Basic customs duty exemption on imports for nuclear power projects extended till 2035 and expand to all nuclear plants
- **Critical minerals:** Basic customs duty exemption for importing capital goods used for processing critical minerals in India
- **Biogas blended CNG:** Exclude entire value of biogas while calculating Central Excise duty on biogas blended CNG
- **Civil and Defence Aviation:** Exempt basic customs duty on components, parts, and raw materials for manufacturing aircraft used in civilian, training, defence sectors
- **Electronics:** Basic customs duty on specified parts used in manufacturing microwave ovens Exempted.

Ease of Living Reforms

Indirect Tax

- **Tariff rate on all dutiable goods imported for personal use reduced from 20% to 10%**
- **Basic customs duty exempted on 17 drugs or medicines for cancer patients**
- **7 more rare diseases added for exempting import duties** on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment
- Baggage clearance rules will be revised for international travel with enhanced duty-free allowances.
- Encouragement for honest taxpayers to settle disputes by paying additional amount instead of penalty.

Direct Tax

- **Interest from Motor Accident Claims Tribunal awarded to individuals will be Income tax-exempt**, and TDS on this will be removed.
- **TCS rate** for **Overseas Tour Packages** reduced **from 5% & 20% to 2%.**
- **TCS rate for education and medical purposes** under the **Liberalized Remittance Scheme** (LRS) **reduced from 5% to 2%.**
- **Supply of manpower services included in TDS scope**, with rates at 1% or 2%.

- **Small taxpayers can obtain lower/nil deduction certificates** through a **rule-based automated process.**
- **Depositories can accept Form 15G/15H** and provide **to multiple companies** on behalf of investors.
- **Deadline for revising returns extended to March 31st with nominal fee;** timeline for filing returns for non-audit business cases or trusts extended to August 31st.
- **TDS on sale of immovable property by non-residents deposited through resident buyer's PAN challan instead of TAN.**
- **One-time 6-month foreign asset disclosure scheme for small taxpayers with income/assets below certain limits**; categories A (undisclosed income/asset up to 1 crore) and B (disclosed income, undisclosed assets up to 5 crore). Category A: pay 30% of FMV or undisclosed income as tax, additional 30% as income tax for immunity from prosecution. Category B: pay fee of 1 lakh rupees for immunity from penalty and prosecution.

Direct Tax Announcements in Budget 2025-26

Rationalising Penalty & Prosecution

- **Penalty and prosecution proceedings will be integrated into a single order**, with no interest liability on taxpayers for penalty amount during the appeal process.
    - Further pre-payment amount required for reassessment cases reduced from 20% to 10%.
- **Taxpayers can update their returns even after reassessment proceedings begin, at an additional 10% tax rate over and above the rate applicable for the relevant year**
- **Framework for immunity from penalty for misreporting** with additional **income tax of 100%.**
- **Penalties for certain technical defaults converted into fees.**
- Prosecution framework under the Income tax act to be rationalized
    - **Non-production of books and documents, and TDS payment in kind decriminalized**.
    - **Remaining prosecutions graded based on the severity of the offense, with maximum imprisonment reduced to 2 years.**
- **Immunity from prosecution for non-disclosure of foreign assets less than Rs. 20 lakh rupees with retrospective effect from October 1st, 2024.**

Cooperatives:

- **Deduction expanded** to include **supply of cattle feed and cotton seed** by primary cooperative societies.
- **Inter-cooperative society dividend income allowed as deduction** under **New Tax Regime**.
- **Exemption for 3 years on dividend income received** by **notified national cooperative federations** on investments in companies (up to Jan 31, 2026).

Supporting IT sector:

- **All software development services, combined into one category - Information Technology Services with a Common safe harbour margin of 15.5% applied to all IT services.**
- **Safe harbour threshold for IT services increased** from ₹300 crore to ₹2,000 crore.
- **Automated rule-driven process for approving safe harbour** without tax officer intervention.
- Unilateral Advance Pricing Agreement (APA) process fast tracked for IT services, aiming to conclude within 2 years (extendable by 6 months upon request).
- Facility of modified returns extended to associated entities of entities entering into APA.

Attracting global business and investment

- **Tax holiday till 2047 to any foreign company that provides cloud services to customers globally by using data centre services from India.**
    - Safe harbour of 15% on cost in case the company providing data centre services from India is a related entity.
- **Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.**

TAX Administration

- Joint committee of Ministry of Corporate Affairs and Central Board of Direct Taxes will be created for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself.
    - End separate accounting based on ICDS from tax year 2027-28
- To support PM Modi's vision of home-grown accounting and advisory firms to become global leaders, the definition of accountant for the purposes of Safe Harbour Rules are being rationalised.

Other Tax Proposals

- Tax buyback for all types of shareholders as Capital Gains.
- **TCS rate for sellers of tendu leaves will be reduced from 5% to 2%.**
- Starting from April 2026, MAT will be considered as final tax and the rate of final tax is being reduced to 14% from current MAT rate of 15%.