

HIGHLIGHTS OF THE UNION BUDGET OF INDIA 2026-2027



FEBRUARY 2026

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INTRODUCTION



The Union Budget of India for 2026–27 outlines the government’s policy priorities at a time when the economy is navigating global uncertainties while maintaining strong domestic growth fundamentals. Yuva Shakti-driven budget emphasises the government’s ‘Sankalp’ to focus on the poor, underprivileged, and disadvantaged. The first budget prepared in Kartavya Bhawan inspired by three Kartavyas. First Kartavya is to accelerate and sustain economic growth. Second Kartavya is to fulfil the aspirations of the people and build their capacity. Third Kartavya, aligned with the vision of ‘Sabka Sath, Sabka Vikas’.

The 2026–27 budget places strong emphasis on strengthening manufacturing, expanding infrastructure, and enhancing export competitiveness, while continuing to support agriculture, MSMEs, and employment generation. Increased allocations for capital expenditure, logistics, energy transition, and urban development signal the government’s intent to crowd in private investment and improve productivity across sectors. Measures aimed at improving the ease of doing business, promoting innovation, and deepening digital adoption further reinforce the reform-oriented nature of the budget.

At the same time, the budget underscores the importance of social development and sustainability as integral components of economic growth. Focused interventions in education, healthcare, skill development, and social protection seek to ensure that growth remains broad-based and equitable. With a growing emphasis on green technologies, climate resilience, and fiscal responsibility, the Union Budget 2026–27 aims to lay the foundation for long-term economic resilience while advancing India’s vision of a developed nation in the coming decade.

PART A

The government aims to transform aspiration into achievement and Potential into performance. The government has undertaken comprehensive economic reforms towards creating employment, boosting productivity, and accelerating growth. Over 350 reforms have been rolled out, including GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders. High-level committees have been formed. The Central Government is working with the State Governments on deregulation and reducing compliance requirements. The government’s ‘Sankalp’ is to focus on the poor, underprivileged and the disadvantaged. To deliver on this Sankalp, and given that this is the first Budget prepared in Kartavya Bhawan, we are inspired by 3 kartavya:



FIRST KARTAVYA

Scaling up manufacturing in 7 strategic and frontier sectors:

- **Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation):**
 - India’s disease burden is increasingly shifting towards non-communicable diseases such as diabetes, cancer, and autoimmune disorders.
 - An outlay of ₹10,000 crore over five years has been proposed to develop India as a global biopharma manufacturing hub.
 - The initiative aims to build a domestic ecosystem for the production of biologics and biosimilars.
 - It includes the creation of a biopharma-focused institutional network with 3 new NIPERs and the upgradation of 7 existing NIPERs.
 - A network of over 1,000 accredited clinical trial sites across India will be established.
 - The Central Drugs Standard Control Organisation (CDSCO) will be strengthened through a dedicated scientific review cadre and specialists to align approval timelines with global standards.
- **India Semiconductor Mission (ISM) 2.0:**
 - Building on the expansion achieved under ISM 1.0, ISM 2.0 will focus on producing semiconductor equipment and materials, developing full-stack Indian intellectual property, and strengthening supply-chain resilience.
 - The mission will emphasise industry-led research and training centres to develop advanced technologies and a skilled semiconductor workforce.

- **Electronics Components Manufacturing Scheme:**

- Launched in April 2025 with an outlay of ₹22,919 crore, the scheme has already attracted investment commitments at double the targeted level.
- To leverage this momentum, the government proposes to increase the outlay to ₹40,000 crore.

- **Rare Earth Permanent Magnets Scheme:**

- The scheme, launched in November 2025, aims to strengthen domestic capabilities in rare earths.
- Mineral-rich states- Odisha, Kerala, Andhra Pradesh, and Tamil Nadu- will be supported to establish dedicated Rare Earth Corridors covering mining, processing, research, and manufacturing.

- **Chemical Parks Development:**

- To enhance domestic chemical production and reduce import dependence, a new scheme will support states in establishing three dedicated Chemical Parks.
- The parks will be developed through a challenge-based route on a cluster-based, plug-and-play model.

- **Capital Goods and Industrial Capability:**

- Two digitally enabled, automated Hi-Tech Tool Rooms will be established by CPSEs to locally design, test, and manufacture high-precision components at scale and lower cost.
- A new scheme will be introduced to strengthen domestic manufacturing of high-value, technologically advanced construction and infrastructure equipment across segments such as lifts, firefighting systems, tunnel-boring machines, and equipment for metro and high-altitude road projects.
- A scheme with a budgetary allocation of ₹10,000 crore over five years will be launched to create a globally competitive container manufacturing ecosystem.

- **Textiles and Employment**

- National Fibre Scheme to promote self-reliance in natural, man-made, and new-age fibres.
- Textile Expansion and Employment Scheme to modernise traditional clusters through capital support, technology upgradation, and common testing and certification facilities.
- National Handloom and Handicraft Programme to integrate existing schemes and provide targeted support to weavers and artisans.
- Tex-Eco Initiative to promote sustainable and globally competitive textiles and apparel.
- Samarth 2.0 to modernise the textile skilling ecosystem through collaboration with industry and academic institutions.

To promote environmentally sustainable movement of cargo, the Finance Minister proposed new Dedicated Freight Corridors connecting Dankuni in the East, to Surat in the West; b) operationalise 20 new National Waterways (NW) over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra. Training Institutes will be set up as Regional Centres of Excellence for the development of the required manpower. The government will launch a Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.

The Budget aims to further amplify the 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 is proposed for implementing their plans through a challenge mode with a reform-cum-results based financing mechanism. To promote environmentally sustainable passenger systems, seven High-Speed Rail corridors between cities will be developed as 'growth connectors', namely (i) Mumbai-Pune, (ii) Pune-Hyderabad, (iii) Hyderabad-Bengaluru, (iv) Hyderabad-Chennai, (v) Chennai-Bengaluru, (vi) Delhi-Varanasi, and (vii) Varanasi-Siliguri.

SECOND KARTAVYA

Human Capital, Health, Education and Sports

- **Poverty Reduction:**
 - Close to 25 crore individuals have exited multidimensional poverty over the past decade through sustained and reform-oriented government efforts.
- **Medical Tourism and Healthcare Services:**
 - A scheme will support states in establishing five Regional Medical Hubs in partnership with the private sector to promote India as a global medical tourism destination.
 - These hubs will function as integrated healthcare complexes, combining medical education, research, AYUSH centres, Medical Value Tourism Facilitation Centres, diagnostics, post-care, and rehabilitation facilities, while generating employment for doctors and allied health professionals.
- **Veterinary Education and Services:**
 - To increase the availability of veterinary professionals by over 20,000, a loan-linked capital subsidy scheme will support the establishment of veterinary and para-vet colleges, hospitals, diagnostic laboratories, and breeding facilities in the private sector.
- **AVGC Sector Development:**
 - To meet the projected requirement of 2 million AVGC professionals by 2030, support will be extended to the Indian Institute of Creative Technologies, Mumbai to set up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.
- **Girls' Hostels in STEM Institutions:**
 - To address challenges faced by girl students in higher education STEM institutions, one girls' hostel will be established in every district through VGF/capital support.
- **Tourism and Hospitality Skilling:**
 - A National Institute of Hospitality will be established by upgrading the National Council for Hotel Management and Catering Technology, serving as a bridge between academia, industry, and government.
 - A pilot scheme will upskill 10,000 tourist guides across 20 tourist sites through a standardised 12-week hybrid training programme in collaboration with an Indian Institute of Management.
- **Sports Development – Khelo India Mission:**
 - A Khelo India Mission will be launched to transform the sports sector over the next decade, focusing on integrated talent development pathways, coach and support staff development, adoption of sports science and technology, promotion of competitions and leagues, and development of sports infrastructure.

THIRD KARTAVYA

Inclusive Development, Agriculture and Regional Growth

- **Inclusive Growth Priorities:**
 - Targeted efforts will focus on increasing farmer incomes, empowering Divyangjan, improving access to mental health and trauma care for vulnerable groups, and accelerating development and employment in the Purvodaya States and the North-East Region.

- **Agriculture and Digital Advisory – Bharat-VISTAAR:**

- Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources) will be launched as a multilingual AI tool integrating AgriStack portals and ICAR agricultural practice packages with AI systems to enhance farm productivity, support informed decision-making, and reduce risks through customised advisory services.

- **Women Entrepreneurship – SHE Marts:**

- Self-Help Entrepreneur (SHE) Marts will be established as community-owned retail outlets at the cluster federation level, building on the Lakhpati Didi Programme and supported through enhanced and innovative financing mechanisms.

- **Mental Health and Trauma Care:**

- A NIMHANS-2 will be established, and National Mental Health Institutes at Ranchi and Tezpur will be upgraded as Regional Apex Institutions to strengthen mental health and trauma care services.

- **Purvodaya and North-East Development:**

- An integrated East Coast Industrial Corridor with a connected node at Durgapur will be developed.
- Five tourism destinations will be created across the five Purvodaya States, along with the deployment of 4,000 e-buses.
- A Scheme for Development of Buddhist Circuits will be launched across Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram, and Tripura, covering preservation of religious sites, pilgrimage interpretation centres, connectivity, and pilgrim amenities.

FISCAL CONSOLIDATION AND BUDGET ESTIMATES

Fiscal Discipline:

- The debt-to-GDP ratio is estimated to decline to 55.6% in BE 2026-27 from 56.1% in RE 2025-26, reflecting progress on debt consolidation and reduced interest outgo.
- The fiscal deficit is estimated at 4.3% of GDP in BE 2026-27, compared to 4.4% of GDP in RE 2025-26, in line with the revised fiscal prudence framework.

Revised Estimates 2025-26:

- **Non-debt receipts:** ₹34 lakh crore
- **Net tax receipts (Centre):** ₹26.7 lakh crore
- **Total expenditure:** ₹49.6 lakh crore
- **Capital expenditure:** ~₹11 lakh crore

Budget Estimates 2026-27:

- **Non-debt receipts:** ₹36.5 lakh crore
- **Net tax receipts (Centre):** ₹28.7 lakh crore
- **Total expenditure:** ₹53.5 lakh crore
- **Financing of fiscal deficit:**
 - Net market borrowings (dated securities): ₹11.7 lakh crore
 - Gross market borrowings: ₹17.2 lakh crore
 - Balance financing from small savings and other sources

PART B

TAXATION REFORMS

Direct Taxes

- **Income Tax Simplification:**

- The New Income Tax Act, 2025 will come into effect from April 2026, supported by simplified Income Tax Rules and redesigned forms to enable easier compliance for taxpayers.

- **TCS and TDS Rationalisation:**

- TCS on overseas tour packages reduced to 2% (from 5%/20%), without any threshold.
- TCS under LRS for education and medical purposes reduced from 5% to 2%.
- Supply of manpower services to be covered under TDS provisions applicable to contractors, with TDS rates of 1% or 2%.
- Small taxpayers will be able to obtain lower or nil TDS certificates through an automated, rule-based process.

- **Return Filing and Compliance Relief:**

- Timeline for revising returns extended from 31 December to 31 March, with a nominal fee.
- Return filing timelines to be staggered to ease compliance.
- A one-time 6-month foreign asset disclosure scheme will be introduced for small taxpayers such as students, young professionals, relocated NRIs, and tech employees, subject to asset and income thresholds.

Rationalisation of Penalty and Prosecution

- **Streamlining Proceedings:**

- Assessment and penalty proceedings to be combined into a single integrated order.
- Pre-deposit requirement reduced from 20% to 10%, calculated only on core tax demand.

- **Litigation Reduction:**

- Taxpayers will be allowed to update returns even after reassessment, on payment of an additional 10% tax over the applicable rate.
- Immunity from penalty and prosecution extended from under-reporting to misreporting, subject to payment of 100% additional tax.

- **Decriminalisation Measures:**

- Non-production of books of accounts and TDS payment in cases of payments in kind to be decriminalised.
- Non-disclosure of non-immovable foreign assets below ₹20 lakh to be granted immunity from prosecution with retrospective effect from 1 October 2024.

Cooperatives

- **Tax Incentives:**

- Deduction for primary cooperative societies supplying milk, oilseeds, fruits, or vegetables will be extended to include cattle feed and cotton seed produced by members.
- Inter-cooperative dividend income to be allowed as deduction under the new tax regime, to the extent distributed to members.
- Three-year tax exemption on dividend income for notified national cooperative federations on investments made up to 31 January 2026, if further distributed to member cooperatives.

IT SECTOR AND DIGITAL SERVICES

- **Safe Harbour Rationalisation:**

- Software development, IT-enabled services, KPO, and contract R&D services to be classified under a single category of Information Technology Services.
- A common safe harbour margin of 15.5% will apply.
- Threshold for availing safe harbour increased from ₹300 crore to ₹2,000 crore.
- Safe harbour approvals to be automated and valid for five consecutive years.

- **Transfer Pricing Relief:**

- Unilateral APA for IT services to be fast-tracked with a target timeline of two years, extendable by six months.
- Modified return facility under APA to be extended to associated entities.

ATTRACTING GLOBAL BUSINESS AND INVESTMENT

- **Incentives for Global Firms:**

- Tax holiday till 2047 for foreign companies providing global cloud services using Indian data centres.
- Safe harbour of 15% on cost for related-party data centre service providers.
- Safe harbour for non-residents engaged in component warehousing in bonded warehouses at a profit margin of 2%.

- **Non-Resident Tax Relief:**

- Five-year income tax exemption for non-resident suppliers of capital goods, equipment, or tooling to toll manufacturers in bonded zones.
- Five-year exemption on global income for non-resident experts under notified schemes.
- Non-residents opting for presumptive taxation to be exempted from MAT.

TAX ADMINISTRATION REFORMS

- **Accounting and Compliance:**

- A Joint Committee of MCA and CBDT will integrate ICDS requirements into IndAS, eliminating separate ICDS-based accounting from AY 2027-28.
- Definition of accountant under Safe Harbour Rules to be rationalised.

OTHER DIRECT TAX PROPOSALS

- **Buyback Taxation:**

- Buyback for all shareholders to be taxed as capital gains.
- Effective buyback tax rate set at 22% for corporate promoters and 30% for non-corporate promoters.

- **Market-Related Taxes:**

- STT on futures increased from 0.02% to 0.05%.
- STT on options premium and exercise raised to 0.15%.

- **MAT Rationalisation:**

- Set-off of brought-forward MAT credit allowed only under the new tax regime, limited to 25% of tax liability.
- MAT to become a final tax from 1 April 2026, with rate reduced from 15% to 14%.
- Accumulated MAT credit up to 31 March 2026 to remain eligible for set-off.

TAXATION REFORMS

- **Customs Duty Rationalisation:**

- Duty-free import limits for inputs used in marine, leather, and textile exports increased from 1% to 3% of FOB value.
- Customs duty exemptions extended for lithium-ion battery manufacturing, solar glass, nuclear power projects (till 2035), critical minerals processing, and aircraft manufacturing and MRO.
- One-time concessional duty facility for SEZ sales to DTA.

- **Energy and Sustainability Measures:**

- Entire value of biogas excluded while calculating excise duty on biogas-blended CNG.

- **Ease of Living:**

- Customs duty on dutiable personal imports reduced from 20% to 10%.
- Basic customs duty exempted on 17 drugs and medicines, with 7 additional rare diseases included for duty-free personal imports.

CUSTOMS PROCESSES AND EASE OF DOING BUSINESS

- **Trade Facilitation:**

- Minimal-intervention customs processes to be implemented for faster cargo movement.
- Duty deferral period for Tier 2 and Tier 3 AEOs extended from 15 to 30 days.
- Validity of advance rulings extended from 3 to 5 years.
- Customs warehousing to shift to a warehouse operator-centric system with electronic tracking and risk-based audits.

- **Digital and Logistics Reforms:**

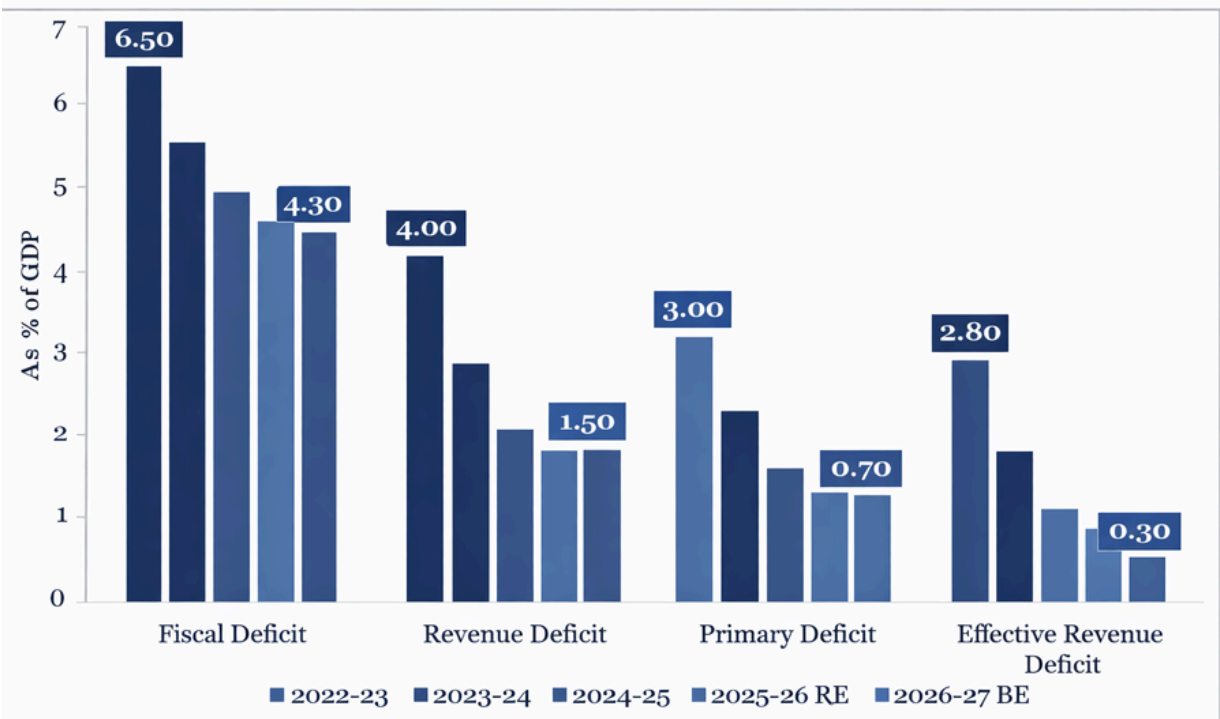
- Single digital window for cargo clearance approvals to be operational by end-FY.
- Customs Integrated System (CIS) to be rolled out within two years.
- Expansion of non-intrusive scanning using AI to cover all major ports.

- **Exports and Travel Facilitation:**

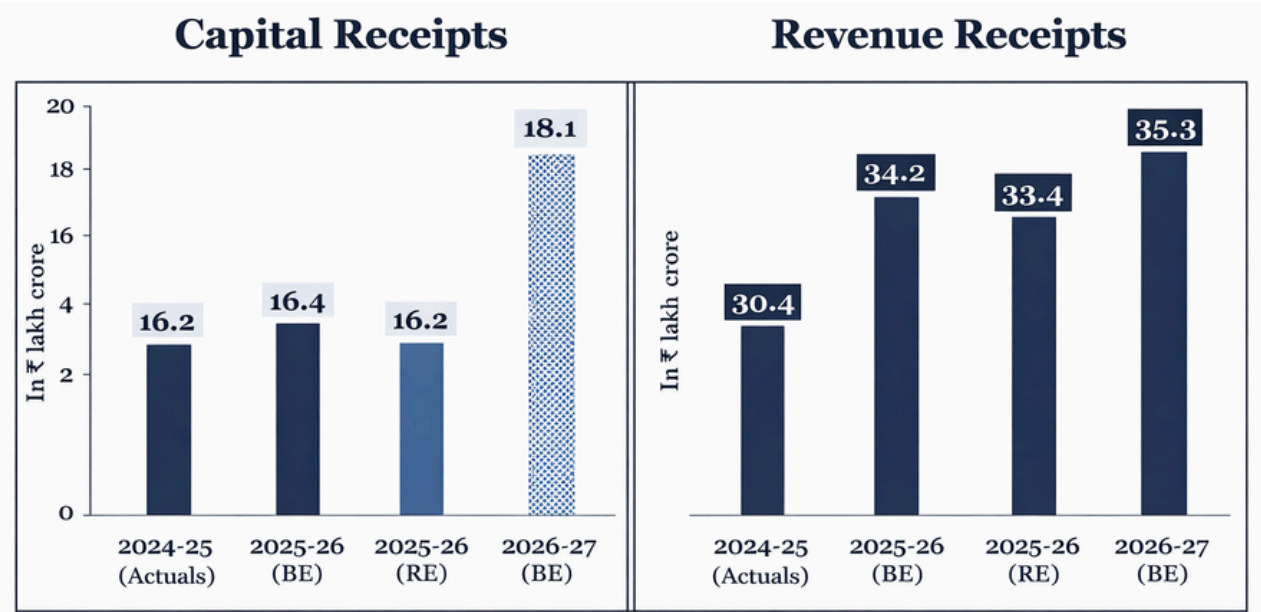
- Fish caught by Indian vessels in the EEZ or High Seas to be duty-free; landing at foreign ports treated as exports.
- Removal of ₹10 lakh value cap on courier exports to support MSMEs and start-ups.
- Baggage rules to be revised to enhance duty-free allowances.
- Honest taxpayers opting for dispute settlement to close cases by paying an additional amount in lieu of penalty.

OTHER HIGHLIGHTS

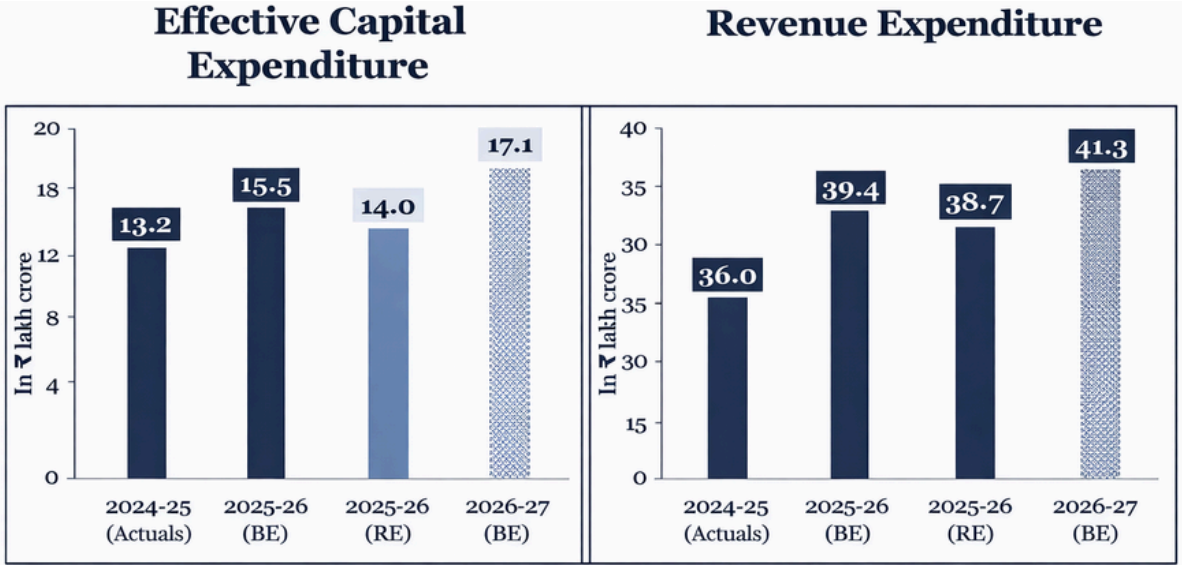
DEFICIT TRENDS



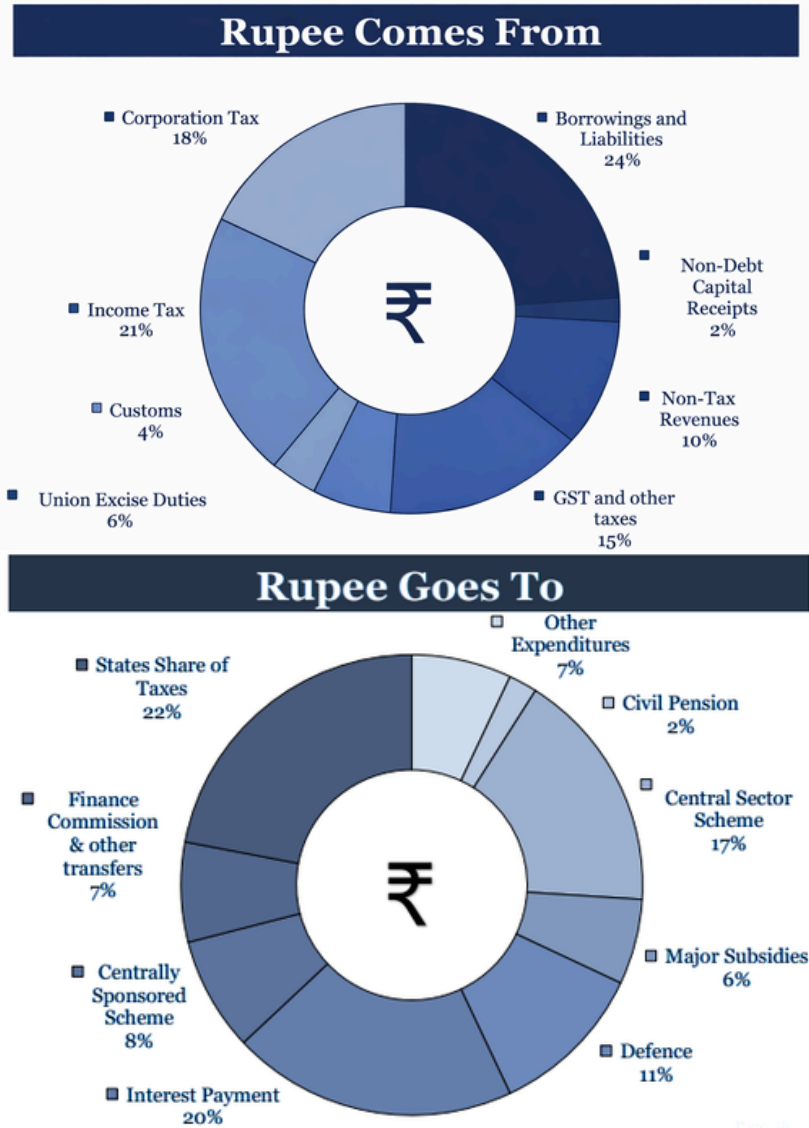
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EXPENDITURE

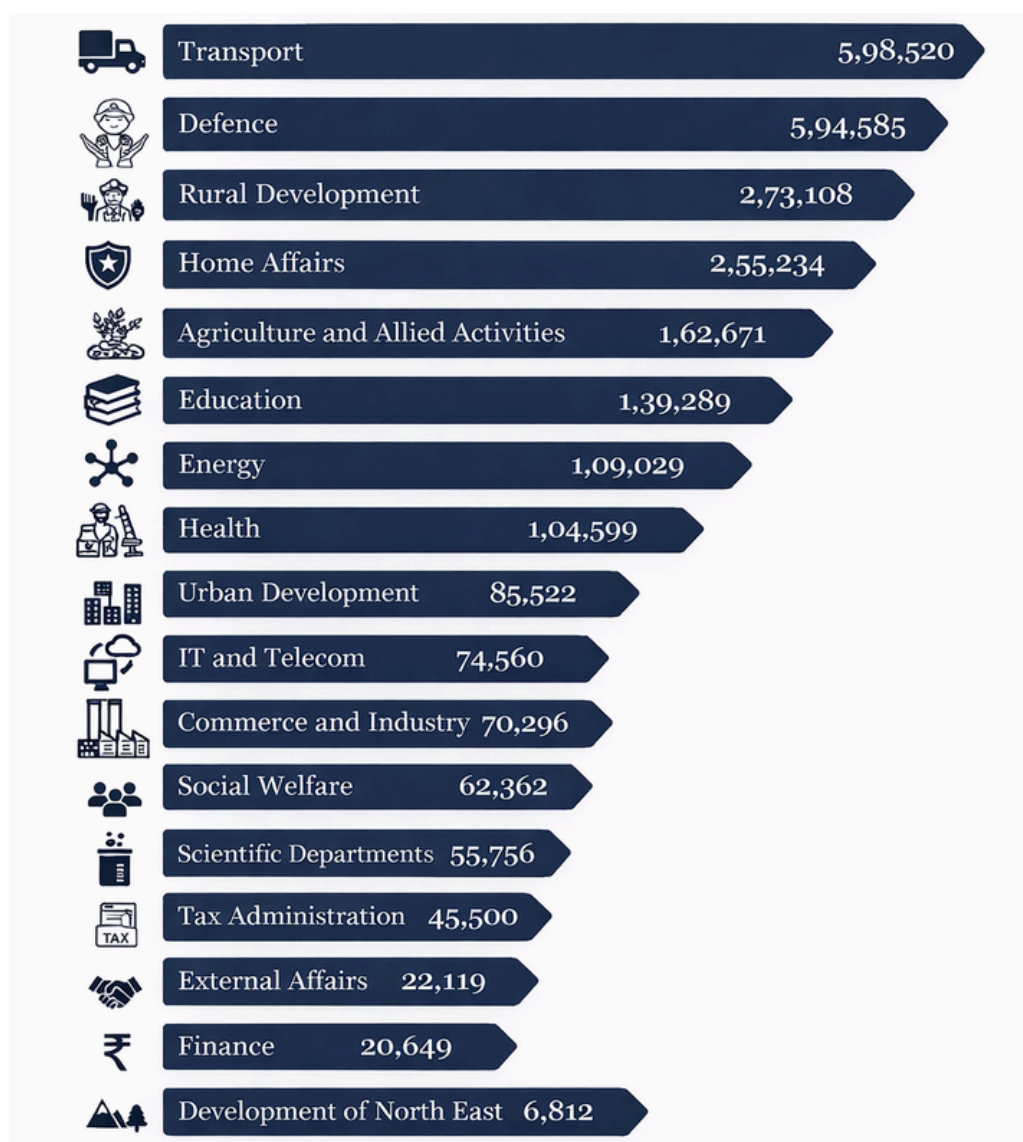


WHERE THE RUPEE COMES FROM AND WHERE IT GOES



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EXPENDITURE ON MAJOR SECTORS (IN CRORES)



CONCLUSION

The Union Budget 2026-27 presents a balanced and forward-looking fiscal framework that seeks to sustain economic growth while reinforcing macroeconomic stability. By prioritising capital expenditure, manufacturing competitiveness, digital transformation, and human capital development, the Budget strengthens the foundations for long-term productivity and resilience. The continued focus on fiscal consolidation, simplified taxation, and ease of doing business reflects a commitment to responsible governance and reform continuity.

At the same time, targeted interventions for agriculture, MSMEs, women, youth, vulnerable groups, and region-specific development underscore the Budget's inclusive approach to growth. Strategic investments in healthcare, education, skilling, innovation, and green transition position India to respond effectively to evolving domestic and global challenges. Collectively, the measures outlined in the Union Budget 2026-27 aim to advance India's journey towards a competitive, sustainable, and equitable economy in the years ahead.

ABOUT SAS PARTNERS



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We are also present in **Bangalore** and **Hyderabad**, with a representative office in **France**, supporting clients across multiple regions through our local and international network.



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