UNION BUDGET 2026-27 ANALYSIS

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Highlights

- **Expenditure:** The government expects total spending in 2026–27 to be ₹53,47,315 crore, which is 7.7% higher than the revised estimate for 2025–26. Interest payments form a significant portion—about 26% of total expenditure and roughly 40% of revenue receipts.
- **Receipts:** Total receipts excluding borrowings are projected at ₹36,51,547 crore in 2026–27, around 7.2% above the revised level of 2025–26. Tax revenue, the largest component of receipts, is expected to grow by about 8% compared to the revised estimate for 2025–26.
- **GDP:** For 2026–27, the government has assumed 10% nominal GDP growth, reflecting the combined effect of real economic growth and inflation.
- **Deficits:** The revenue deficit for 2026–27 is set at 1.5% of GDP, the same as the revised estimate for 2025–26. The fiscal deficit is targeted at 4.3% of GDP, slightly lower than the revised 4.4% of GDP in 2025–26.
- **Debt:** The central government plans to bring its outstanding liabilities down to about 50% of GDP by March 2031. In 2026–27, outstanding liabilities are estimated at 55.6% of GDP.

Provisions for Professional Institutions

Government will facilitate professional institutions (ICAI, ICSI, ICMAI) to design short-term modular courses and practical tools to create a cadre of "Corporate Mitras" (accredited para-professionals) to help MSMEs meet compliance needs affordably—especially in Tier-II/III towns.

This is a big opening for:

- compliance toolkits/templates,
- MSME bookkeeping + GST/TDS/TCS processes,
- basic corporate law/ROC support,
- cost/working-capital advisory and bank documentation.

Main Tax Proposals in the Finance Bill

- **No change in income-tax slabs:** The income-tax slab structure for AY 2026–27 remains the same as in the previous year.
- **Tax holidays:** A tax holiday up to 2047 has been offered to foreign firms providing global cloud services through Indian data centres, as long as services to Indian customers are delivered via an Indian reseller. In addition, the tax holiday for units in the International Financial Services Centre (IFSC) and Offshore Banking Units has been extended from 10 years to 20 years. After the holiday period, IFSC unit income will be taxed at 15%.
- **Taxation of share buybacks:** Buybacks are proposed to be treated as capital gains for tax purposes, along with an extra buyback tax applicable to promoters. This results in an effective tax rate of 22% for corporate promoters and 30% for non-corporate promoters.
- **Higher Securities Transaction Tax (STT):** STT rates have been increased:
  - **Options:** from 0.10% to 0.15%
  - **Options exercised:** from 0.125% to 0.15%
  - **Futures:** from 0.02% to 0.05%
- **Deductions linked to mutual fund income:** Interest expenditure incurred to earn dividend income or income from mutual fund units will no longer be allowed as a deduction. Earlier, this deduction was permitted up to 20% of the gross dividend / mutual fund income.

- **Minimum Alternate Tax (MAT):** From April 1, 2026, no further accumulation of MAT credit will be permitted. The MAT rate is being lowered from 15% to 14%. Under the new tax regime, MAT credit set-off will be limited to 25% of the tax liability.
- **Foreign Assets disclosure scheme (2026):** A time-bound disclosure window has been introduced for certain small taxpayers (including returning non-residents) to report foreign assets. The scheme provides graded relief, including possible immunity from penalties and prosecution, provided the taxpayer pays applicable tax, an additional levy, or a fixed fee, depending on the nature of the non-disclosure.
- **Easier rules for non-residents:** Key relaxations include:
    1. A five-year income tax exemption for supplying capital goods to electronics manufacturers,
    2. Exemption from tax on global income for certain expert non-residents working in India for up to five years under notified schemes, and
    3. Extension of MAT exemption to more categories of non-residents.
- **Penalty and prosecution rationalisation:** Several offences have been decriminalised, and for others the maximum imprisonment has been capped at two years.
- **Tax Collected at Source (TCS):** TCS rates have been reduced:
    - For remittances above ₹10 lakh for education or medical treatment, TCS is cut from 5% to 2%.
    - For purchase of an overseas tour package (including travel and hotel expenses), TCS is reduced from 5% / 20% (depending on amount) to 2%.

Main proposals in Indirect Taxes:

Custom:

- Duty-free imports of specified inputs used for processing seafood products for export, from the current 1 per cent to 3 per cent of the FOB value of the previous year's export turnover.
- Duty-free imports of specified inputs, which is currently available for exports of leather or synthetic footwear, to exports of Shoe Uppers as well.
- Extension of the time period for export of final product from the existing 6 months to 1 year, for exporters of leather or textile garments, leather or synthetic footwear and other leather products.

Ease of Doing Business

- Approvals required for cargo clearance from various Government agencies will be seamlessly processed through a single and interconnected digital window by the end of the financial year.
- Processes involved in clearance of food, drugs, plant, animal & wild life products, accounting for around 70 percent of interdicted cargo, will be operationalised on this system by April 2026 itself.
- For goods not having any compliance requirement, clearance will be done by Customs immediately after online registration is completed by the importer, subject to the payment of duty.
- Customs Integrated System (CIS) will be rolled out in 2 years as a single, integrated and scalable platform for all the customs processes.
- Utilization of non-intrusive scanning with advanced imaging and AI technology for risk assessment will be expanded in a phased manner with the objective to scan every container across all the major ports.
- Complete removal of the current value cap of ₹10 lakh per consignment on courier exports. In addition, handling of rejected and returned consignments will be improved with effective use of technology for identifying such consignments

Central Excise Duty Changes:

Exemption of Central Excise Duty on value of Biogas/Compressed Biogas (CBG) contained in Blended Compressed Natural Gas (CNG) : The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on such Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG

Amendment to Seventh Schedule to the Finance Act, 2001 to revise the National Calamity Contingent Duty (NCCD) Rate with effect from 01.05.2026 with no change in the effective duty rate***

S. No.	Description	NCCD Rate	
		From (per cent)	To (per cent)
1	Chewing tobacco	25%	60%
2	Jarda scented tobacco	25%	60%
3	Other	25%	60%

Note: Description of entries is indicative. Notification/ Tariff may be referred for complete description.

****effective duty rate will be maintained at 25% by notification*

Policy Highlights

- **Finance and the Economy:** The government plans to constitute a High-Level Committee on Banking for Viksit Bharat to undertake a comprehensive review of the banking sector. It will also re-examine the Foreign Exchange Management (Non-debt Instruments) Rules with the aim of making foreign investment regulations simpler and more user-friendly.

In addition, individual Persons Resident Outside India (PROI) will be allowed to invest in equity shares of listed Indian companies through the Portfolio Investment Scheme (PIS). Under this scheme, the permitted investment ceiling for an individual PROI will be raised from 5% to 10%.

To deepen corporate bond markets, proposals include a market-making framework (including access to funding and derivatives linked to corporate bond indices) and the introduction of total return swaps on corporate bonds. Further, to promote municipal bond issuance, an incentive of ₹100 crore has been announced for any single municipal bond issue exceeding ₹1,000 crore.

- **Industry and Commerce:** The government will roll out a programme to rejuvenate 200 traditional industrial clusters by upgrading technology and improving supporting infrastructure. A new integrated textile programme is planned with five components: (i) National Fibre Scheme, (ii) Textile Expansion and Employment Scheme, (iii) National Handloom and Handicraft Scheme, (iv) Tex-Eco Initiative, and (v) Samarth 2.0. To further promote khadi, handloom, and handicrafts, a Mahatma Gandhi Gram Swaraj initiative has been proposed. To help build "Champion SMEs," the following measures are planned: (i) an SME Growth Fund with an outlay of ₹10,000 crore, (ii) additional support to the Self-Reliant India Fund, and (iii) liquidity assistance.
- **Infrastructure:** Public capital expenditure is proposed to rise from ₹11.2 lakh crore to ₹12.2 lakh crore. An Infrastructure Risk Guarantee Fund will be created to boost confidence among private developers. In the Purvodaya states, five tourism sites will be developed and 4,000 electric buses will be deployed. A dedicated freight corridor is proposed to link Surat and Dankuni, while 20 new national waterways are planned to become operational over the next five years. New schemes will also support modern construction/infrastructure equipment and container manufacturing.
- **Urban Development: City Economic Regions (CERs)** will be identified and mapped based on their unique growth drivers, with funding of ₹5,000 crore per CER over five years. In addition, seven high-speed rail corridors are proposed between selected city pairs.
- **Labour and Employment:** A Standing Committee on "Education to Employment and Enterprise" will be established to strengthen the services sector and to examine how artificial intelligence may affect employment trends.
- **Education:** The plan includes setting up five university townships along key industrial and logistics corridors. Support will also be extended to the Indian Institute of Creative Technologies, Mumbai, to create animation, VFX, gaming, and comics content-creator labs in 15,000 secondary schools and 500 colleges.
- **Energy and Technology Manufacturing:** Funding for the Electronics Component Manufacturing Scheme will be increased from ₹22,919 crore to ₹40,000 crore. Dedicated Rare Earth Corridors will be developed in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu. An allocation of ₹20,000 crore over five years has been proposed for carbon capture, utilisation, and storage (CCUS). Further, Semiconductor Mission 2.0 is set to be launched.
- **Health:** New institutions for allied health professionals will be set up in both the public and private sectors, covering areas such as radiology, anaesthesia, and behavioural health. To boost medical tourism, the government plans to develop five regional medical hubs. In addition, three All India Institutes of Ayurveda are proposed.
- **Pharmaceuticals:** To strengthen domestic manufacturing of biologics and biosimilars, the Biopharma SHAKTI scheme (Strategy for Healthcare Advancement through Knowledge, Technology, and Innovation) will be rolled out for five years with an allocation of ₹10,000 crore. The plan also includes setting up three National Institutes of Pharmaceutical Education and Research (NIPERs) and upgrading seven existing institutions.
- **Agriculture:** Tax deductions will be extended for cooperative members involved in supplying cotton seeds and cattle feed. The animal husbandry sector will receive support through a credit-linked subsidy programme. Further, a coconut development scheme will be implemented to raise overall production. MA