

Union budget 2026

“Building today’s foundations for tomorrow’s economic strength.”



Email Address

info@acquisory.com

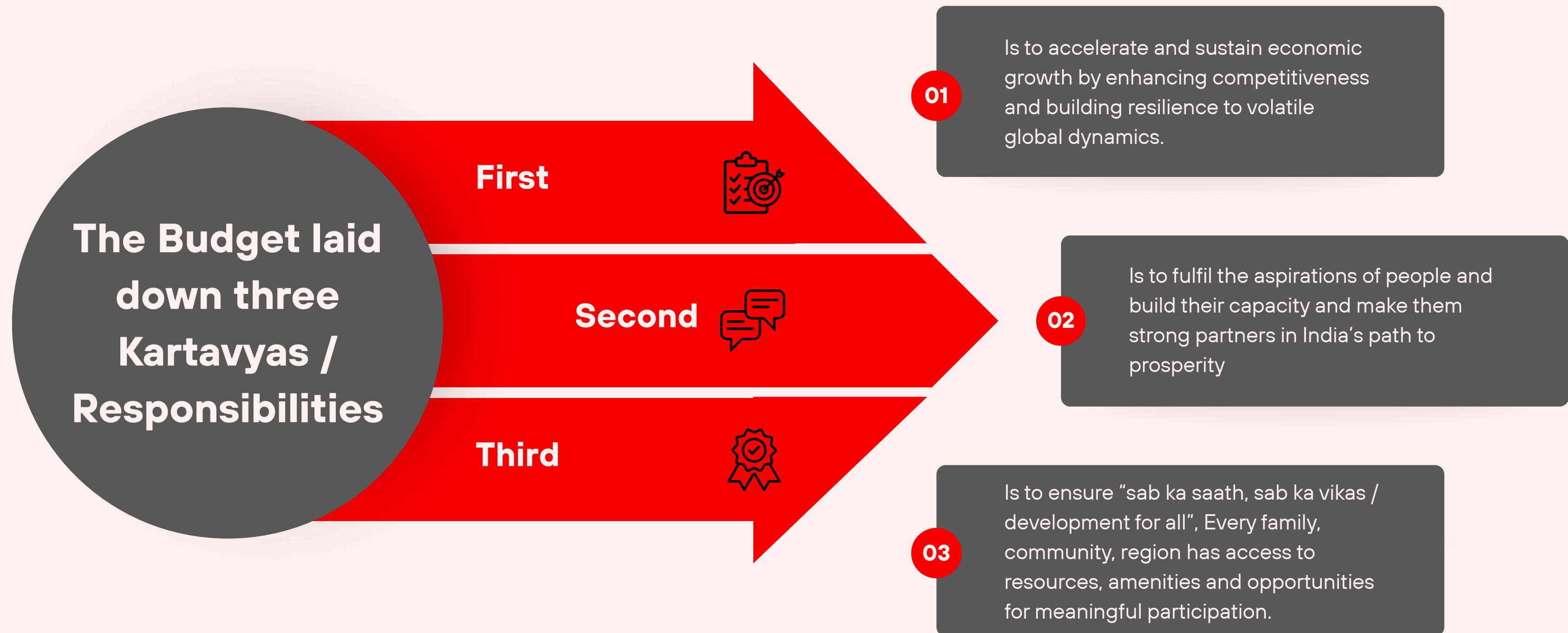


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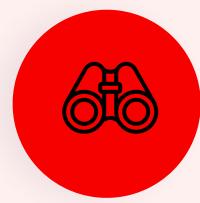


Presenting her 9th consecutive Union Budget in 2026, the Finance Minister focused on harnessing Youth Power ("Yuvashakti") and anchored the budget around three responsibilities ("kartavyas"), while underscoring fiscal discipline in times of significant global headwinds and strengthening global tariff regime.



Priorities outlined in the Budget document for creating growth and opportunities

01



Capex-led economic expansion, with a sharp rise in effective capital expenditure to drive infrastructure creation and crowd in private investment.

02



Employment generation and Human Capital Development, including large outlays for rural livelihoods, upgraded ITIs, and new job- and livelihood-linked missions aimed at youth

03



Support for MSMEs and small enterprises, through enhanced credit guarantees, formalisation measures, ease-of-compliance initiatives and targeted incentives.

04



Manufacturing and industrial development, with continued support for production-linked incentive schemes, industrial corridors, logistics, and high-value manufacturing sectors.

05



Agriculture and rural transformation, covering irrigation projects, crop diversification, food processing, fisheries, rural roads and farm linked infrastructure

06



Digital public infrastructure and technology-driven governance, with emphasis on digital payments, technology-enabled service delivery, and smart urban systems.

07



Urban development and connectivity, focusing on affordable housing, mass transit, urban infrastructure renewal, and high-speed rail and transport networks.

08



Green growth and energy transition, including higher allocations for renewable energy, clean fuels, electric mobility, and energy security initiatives

Budget Estimates

01 The non-debt receipts and the total expenditure are estimated as **₹36.5 lakh crore and ₹53.5 lakh crore** respectively. The Centre's net tax receipts are estimated at ₹28.7 lakh crore.

02 The gross market borrowings are estimated at **₹17.2 lakh crore** and the net market borrowings from dated securities are estimated at ₹11.7 lakh crore.

03 The Revised Estimates of the non-debt receipts are **₹34 lakh crore** of which the Centre's net tax receipts are ₹26.7 lakh crore.

04 The debt-to-GDP ratio is estimated to be **55.6 percent of GDP** in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26.

05 The fiscal deficit in BE 2026-27 is estimated to be **4.3 percent of GDP**. In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 percent of GDP.

06 The Revised Estimate of the **total expenditure** is **₹49.6 lakh crore**, of which the capital expenditure is about ₹11 lakh crore.

BE : Budget Estimate / RE: Revised Estimate

Budget at a Glance

The Finance Minister proposed interventions in multiple sectors,



Scaling up manufacturing in seven strategic and frontier sectors

01



Rejuvenating legacy industrial sectors

02



Creating champion MSMEs

03



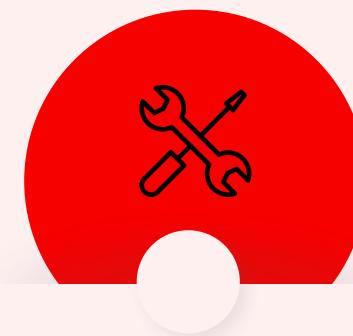
Delivering a powerful push for infrastructure

04



Ensuring long-term energy security

05



Developing city economic regions.

06

Scaling up Manufacturing in Strategic and Frontier Sectors

₹10,000 crore outlay over 5 years to make India a global biopharma hub, including new and upgraded NIPER institutes and 1,000+ clinical trial sites.

Biopharma SHAKTI Initiative

Focus on full-stack Indian IP, equipment manufacturing, supply-chain strengthening, and industry-led research & skill development.

Scheme outlay increased to ₹40,000 crore to strengthen domestic electronics manufacturing.

Dedicated corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to support mining, processing, research, and manufacturing.

India Semiconductor Mission 2.0

Electronics Components Manufacturing Boost

Rare Earth Corridors

1

2

3

4

5

6

7

Chemical Parks Development

Support for states to set up 3 plug-and-play chemical parks through a cluster-based challenge route.

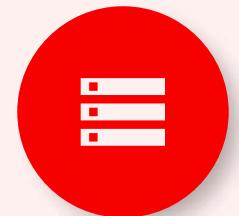
Strengthening Capital Goods Manufacturing

Establishment of hi-tech tool rooms, construction & infrastructure equipment (CIE) scheme, and container manufacturing ecosystem with ₹10,000+ crore allocation.

Integrated Textile Sector Programme

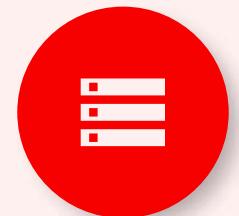
Boost to textiles through the National Fibre Scheme, Mega Textile Parks, modernization of clusters, and strengthening khadi, handloom, and handicrafts.

REJUVENATING LEGACY INDUSTRIAL SECTORS

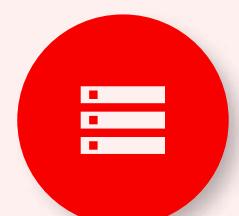


A Scheme to revive 200 legacy industrial clusters announced, to improve their cost competitiveness and efficiency through infrastructure and technology upgradation.

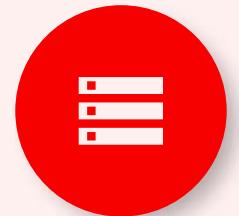
CREATING “CHAMPION SMES” AND SUPPORTING MICRO ENTERPRISES



A dedicated ₹10,000 crore SME Growth Fund (SGF), to be introduced, to create future Champions, incentivizing enterprises based on select criteria



Self-Reliant India Fund (Additional funding to the existing SRIFund) to be allocated with additional ₹2,000 crore, to continue support to micro enterprises and maintain their access to risk capital.



Government to facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of ‘Corporate Mitras’, especially in Tier-II and Tier-III towns.

01

Higher Public Capital Expenditure

Public capital expenditure to be increased to **₹12.2 lakh crore** in FY 2026–27, reinforcing infrastructure-led growth.

05

Expansion of National Waterways

Operationalisation of **20 new National Waterways** over the next five years, starting with NW-5 in Odisha, linking mineral-rich and industrial hubs to ports.

02

Infrastructure Risk Guarantee Fund (IRGF)

A dedicated fund to be set up to boost private sector confidence by mitigating risks during the development and construction phases.

06

Inland Waterways Ecosystem Development

Training institutes to be set up as Regional Centres for Excellence
Varanasi and Patna to have ship repair centres

03

Asset Monetisation via REITs

Accelerated recycling of CPSE real estate assets through the creation of dedicated REITs.

07

Coastal Cargo Promotion & Modal Shift

Launch of a Coastal Cargo Promotion Scheme to increase inland waterways and coastal shipping share from 6% to 12% by 2047.

04

New Dedicated Freight Corridors

Establishment of new **Dedicated Freight Corridor** connecting Dankuni (East) to Surat (West) to enhance logistics efficiency.

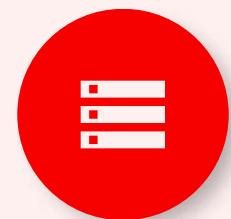
08

Seaplane Manufacturing & Connectivity Boost

Incentives for indigenous seaplane manufacturing, enhanced last-mile connectivity, tourism promotion, and introduction of a Seaplane VGF Scheme to support operations.

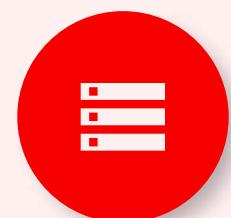
**DELIVERING A
POWERFUL
INFRASTRUCTURE
PUSH
FOR THE FUTURE**

ENSURING LONG TERM ENERGY SECURITY AND STABILITY

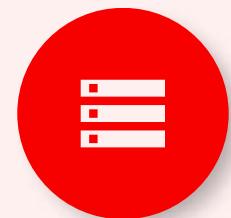


An outlay of **₹20,000** crore over the next 5 years, announced for Carbon Capture Utilization and Storage (CCUS) technologies.

DEVELOPING CITY ECONOMIC REGIONS



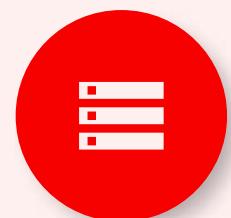
An allocation of **₹5000** crore over 5 years, per city economic regions (CER) announced, for implementing their plans through a challenge mode with a reform-cum-results based financing mechanism.



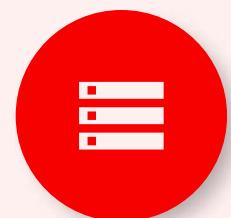
Government to develop Seven High-Speed Rail corridors between cities as 'growth connectors' to promote environmentally sustainable passenger systems. These include:

- Mumbai-Pune
- Pune-Hyderabad
- Hyderabad-Bengaluru
- Hyderabad-Chennai
- Chennai-Bengaluru
- Delhi-Varanasi,
- Varanasi-Siliguri

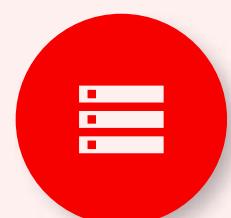
OTHER INFRASTRUCTURE PUSH



Government to setup a “High Level Committee on Banking for Viksit Bharat”, to comprehensively review the sector and align it with India’s next phase of growth, while safeguarding financial stability, inclusion and consumer protection

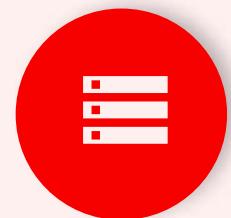


Government to restructure the Power Finance Corporation and Rural Electrification Corporation to achieve scale and improve efficiency in the Public Sector NBFCs.



A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules is proposed, to create a more contemporary, user-friendly framework for foreign investments, consistent with India’s evolving economic priorities.

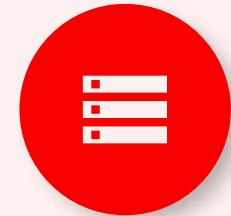
MUNICIPAL BONDS



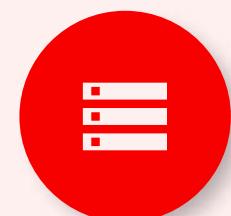
An incentive of ₹100 crore for a single bond issuance of more than ₹1000 crore announced, to encourage the issuance of municipal bonds of higher value by large cities.

FULFILLING ASPIRATIONS AND BUILDING CAPACITY OF PEOPLE

EDUCATION AND SKILLING

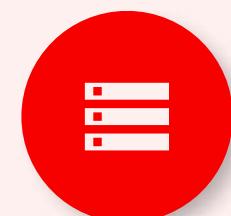


Government to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat.



Creation of Professionals for Viksit Bharat: Existing institutions for Allied Health Professionals (AHPs) to be upgraded and new AHP Institutions to be established in private and Government sector

1.100,000 Allied Health Professionals to be added over the next 5 years



AYUSH AND TRADITIONAL MEDICINE

3 new All India Institutes of Ayurveda to be established across India

ANIMAL HUSBANDRY

- Government to scale up availability of veterinary professionals by more than **20,000**
- A loan-linked capital subsidy support scheme to be launched for establishment of veterinary and para vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.

NUCLEAR ENERGY

- The existing basic customs duty exemption on imports of goods required for Nuclear Power Projects to be extended till the year 2035.

SPORTS

- Khelo India Mission to be launched to transform the Sports sector over the next decade.

NEW EXPORT OPPORTUNITIES

- Complete removal of the current value cap of ₹10 lakh per consignment on courier exports-supports aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce

ORANGE ECONOMY

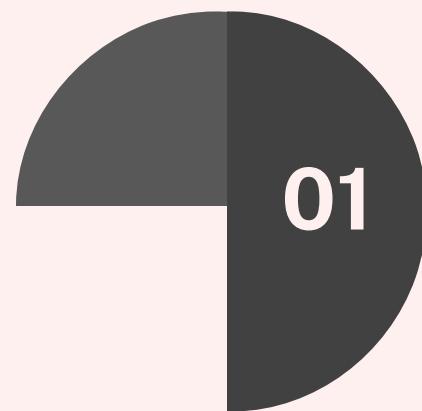
- Indian Institute of Creative Technologies, Mumbai to be provided support in setting up , Visual Effects, Gaming and Comics (AVGC) Content Creator Labs in 15,000 secondary schools and **500 colleges**.
- 5 University Townships to be created in the vicinity of major industrial and logistic corridors through challenge route.
- Through VGF/capital support, 1 girls' hostel to be established in every district

TOURISM

- National Council for Hotel Management and Catering Technology to be upgraded to National Institute of Hospitality
- A pilot scheme for **upskilling 10,000** guides in 20 tourist sites announced through a standardized, high-quality 12-week training course in hybrid mode In collaboration with an IIM.
- A National Destination Digital Knowledge Grid to be established to digitally document all places of significance—cultural, spiritual and heritage.
- 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace to be developed into vibrant, experiential cultural destinations

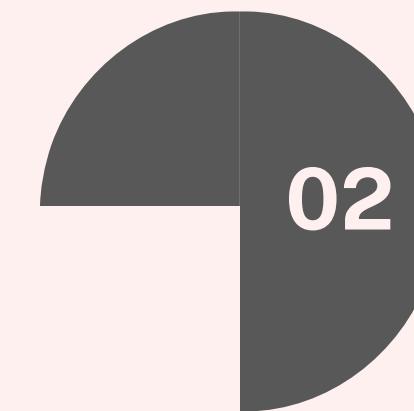
Vision of Development for All

Targeted efforts in the following areas:



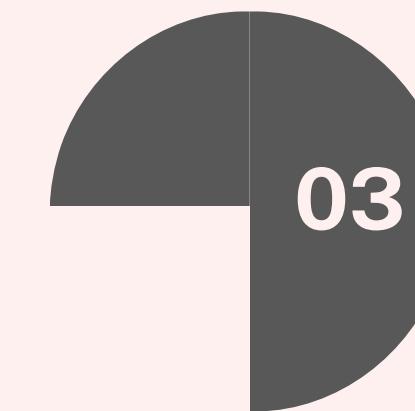
Increasing Farmer Incomes

New Initiatives to be undertaken for Integrated development of 500 reservoirs and Amrit Sarovars. Government to Support High Value Crops;



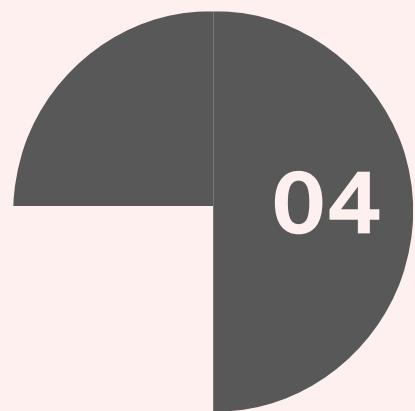
Bharat-VISTAAR

Government to launch Bharat-VISTAAR, a multilingual AI tool to integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.



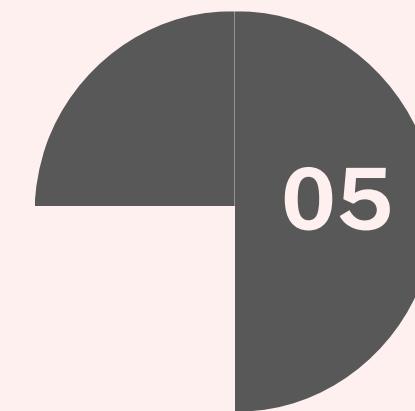
Empowering Divyangjan

Divyangjan Kaushal Yojana for Divyangjans to offer task-oriented and process-driven roles in IT, AVGC sectors, Hospitality and Food and Beverages sectors.



Focus on NE States

Develop an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 NE States, and the provision of 4,000 e-buses



16th Finance Commission

Government provided ₹1.4 lakh crore to the States for the FY 2026-27 as Finance Commission Grants as recommended by the 16th Finance Commission.

DIRECT AND INDIRECT TAXES

SEVERAL MEASURES TAKEN

EASE OF LIVING

- ➡ Interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.
- ➡ Single window filing with depositories for Form 15G or 15 H for TDS on dividends, interests etc
- ➡ Extend time available for revising returns from 31st December to up to 31st March with payment of nominal fees
- ➡ TAN for property transactions involving NRIs will be replaced with resident buyers PAN based challan.
- ➡ A one time 6 month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.
- ➡ Simplified TDS provisions for manpower supply will benefit labour intensive business.
- ➡ The timeline for filing of tax returns to be staggered .
- ➡ TCS on sale of overseas tour program package to 2 % (from current 2-20%).
- ➡ Reduction of TCS to 2% (from current 5%) for LRS remittances for education and medical.

RATIONALIZING PENALTY AND PROSECUTION

- IT assessment & penalty proceedings are proposed to be integrated by way of common order for both.
- Taxpayers allowed to update their returns even after reassessment proceedings have been initiated to reduce litigations, at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- Penalty for misreporting of income also eligible for immunity with payment of additional income tax.
- Non-production of books of account and documents, and requirement of TDS payment, where payment is made in kind, to be decriminalised.
- Simplified TDS provisions for manpower supply will benefit labour intensive business.
- Prosecution framework under the Income Tax Act to be rationalized.
- Non-disclosure of non-immovable foreign assets with aggregate value less than 20 lakh rupees to be provided with immunity from prosecution with retrospective effect from 1.10.2024.

COOPERATIVES



Extension of already deduction allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to those supplying cattle feed and cotton seed also.



Allow the inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.



Exemption for a period of 3 years allowed to dividend income received by a notified national cooperative federation, on their investments made in companies up to 31.1.2026, for dividends further distributed to its member co-operatives.

TAX ADMINISTRATION



A Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes to be constituted for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself. Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28. Definition of accountant for the purposes of Safe Harbour Rules to be rationalized.

SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE

- Software development services, IT enabled services, knowledge process outsourcing services and contract R&D services relating to software development to be clubbed under a single category of Information Technology Services with a common safe harbour **margin of 15.5 percent**.
- The facility of modified returns available to the entity entering APA to be extended to its associated entities.
- Unilateral Advanced Pricing Agreement (APA) process for IT services to be fast-tracked with the endeavour to conclude it within a period of 2 years, which can be extended by 6 months on taxpayer's request.
- The threshold for availing safe harbour for IT services to be enhanced from 300 crore rupees to **2,000 crore rupees**.

ATTRACTING GLOBAL BUSINESS AND INVESTMENT

- Any foreign company that provides cloud services to customers globally by using data centre services from India to be provided Tax holiday till 2047
- A safe harbour of **15 percent** on cost to be provided if the company providing data centre services from India is a related entity.
- A safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value. The resultant tax of about 0.7 percent will be much lower than in competing jurisdictions.
- Exemption to global (non-India sourced) income of a non-resident expert, for a stay period of 5 years under notified schemes
- Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

OTHER TAX PROPOSALS

- In the interest of minority shareholders, buyback for all types of shareholders to be taxed as Capital Gains. Promoters to pay an additional buyback tax, making effective tax 22 percent for corporate promoters and 30 percent for non-corporate promoters.
- STT on Futures to be raised to **0.05 from present 0.02 percent**. STT on options premium and exercise of options to be raised to 0.15 percent from the present 0.1 percent and 0.125 percent respectively.
- MAT is proposed to be made final tax. There will be no further credit accumulation from 1st April 2026. The rate of final tax to be reduced to **14 percent** from the current MAT rate of 15 percent. The brought forward MAT credit of taxpayers accumulated till 31st March 2026, will continue to be available to them for set-off as above.

TARIFF SIMPLIFICATION TO COUNTER US TARIFFS AND GLOBAL HEADWINDS

MARINE, LEATHER PRODUCTS:

- ➡ The limit for duty-free imports of specified inputs for processing exportable seafood products, to increase from the current 1 to 3 per cent of the FOB value.
- ➡ The duty-free imports of specified inputs, which is currently available for exports of leather or synthetic footwear to be allowed.

NUCLEAR POWER:

- ➡ The existing basic customs duty exemption on imports of goods required for Nuclear Power Projects to be extended till the year 2035.

BIOGAS BLENDED CNG:

- ➡ The entire value of biogas while calculating the Central Excise duty payable on biogas blended CNG to be excluded.

NEW EXPORT OPPORTUNITIES

- ➡ Complete removal of the current value cap of ₹10 lakh per consignment on courier exports-supports aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce

ENERGY TRANSITION AND SECURITY:

- ➡ The basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries to be extended.
- ➡ The basic customs duty on import of sodium antimonate for use in manufacture of solar glass to be exempted.

CRITICAL MINERALS:

- ➡ The basic customs duty to the import of capital goods required for processing of critical minerals to be exempted.

CIVIL AND DEFENCE AVIATION:

- ➡ The basic customs duty on components and parts required for the manufacture of civilian, training and other aircrafts to be exempted.
- ➡ The basic custom duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector to be exempted.

OUR VIEWS ON THE BUDGET 2026-2027



It is our view that the Budget is largely a statement of policy continuity at a time when the Indian economy is facing global volatility and uncertainty and facing significant headwinds. So, it is leading towards stability and continuous constructive policy thoughts of our government.



We welcome the push on infrastructure and strategic sector support which reinforces India's image as a stable, fast growing, large economy. We also believe that Businesses would appreciate the government's continued emphasis on fiscal discipline and public capital expenditure rather than headline giveaways, and short term stimulus, suggesting that the government is emphasising on long-term growth aided by staggered structural reforms.



We do note that the public markets reacted cautiously due to tax changes (STT) however, it is our view that these were short term reactions. We do note there is some concern about the absence of slower consumer demand push and lack of emphasis on startups.



Overall, our view is of optimism about long-term growth pathways for India, prescribed in this the budget. However real impact will depend on execution and broader global economic conditions in the near future.



Our Office Network

Delhi-NCR

1116, 11th Floor, WTT,
C-1, Sector 16, DND
Flyway, Noida – 201301
T: +91 120 614 300
Fax: +91 120 6143033

Mumbai

102, 1st Floor, Naman Centre, BKC,
Near MMRDA Parking, Bandra East,
Mumbai City, Maharashtra, 400051
T: +91 22 68648100
Fax: +91 22 68648132

Bengaluru

Unit 1003-1004, 10th Floor,
Prestige Meridian - II, Mahatma
Gandhi Rd, Ashok Nagar,
Bengaluru, Karnataka, 560025

Dubai

Office 604, Bay Square 11,
Business Bay, P.O. Box: 118767,
Dubai, UAE



 www.acquisory.com

 info@acquisory.com

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