

Ministry of Finance



# HIGHLIGHTS OF UNION BUDGET 2026-27

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## PART-A

Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman tabled the Union Budget 2026-27 in the parliament today. The highlights of the budget are as follows:

The first Budget prepared in Kartavya Bhawan, is inspired by 3 kartavyas:

- First kartavya is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.
- Second kartavya is to fulfil aspirations of people and build their capacity, making them strong partners in India's path to prosperity
- Third kartavya, aligned with vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

## Budget Estimates

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



Key Numbers				
In ₹ crore	2024-25 (Actuals)	2025-26 (Budget Estimates)	2025-26 (Revised Estimates)	2026-27 (Budget Estimates)
Revenue Receipts	3,03,6619	34,20,409	33,42,323	35,33,150
Capital Receipts	16,16,249	16,44,936	16,22,519	18,14,165
Total Receipts	46,52,867	50,65,345	49,64,842	53,47,315
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315
Effective Capital Expenditure	13,24,609	15,48,282	14,03,906	17,14,523
Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344
Effective Revenue Deficit	2,91,640	96,654	21,8,613	99,642
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768
Primary Deficit	4,58,856	2,92,598	28,4154	2,91,796

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## First Kartavya is to accelerate and sustain economic growth and proposes 6 interventions

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

- i. **Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) announced**, with an outlay of ₹ 10,000 crores over the next 5 years to develop India as a global Biopharma manufacturing hub.
  - a. A Biopharma-focused network to be created with 3 new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading 7 existing ones.
  - b. A network of over 1000 accredited India Clinical Trials sites to be created
- ii. **India Semiconductor Mission (ISM) 2.0** to be launched to produce equipment and materials, design full-stack Indian IP, and fortify supply chains with focus on industry led research and training centres to develop technology and skilled workforce.
- iii. **The Electronics Components Manufacturing Scheme** outlay increased to ₹40,000 crore.
- iv. Dedicated **Rare Earth Corridors to be established**, to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing.
- v. Government to launch a Scheme to support States in **establishing 3 dedicated Chemical Parks**, through challenge route, on a cluster-based plug-and-play model.

#### vi. **Strengthening Capital Goods Capability**

- **Hi-Tech Tool Rooms** to be established by CPSEs at 2 locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost.
- **A Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)** to be introduced, to strengthen domestic manufacturing of high-value and technologically-advanced CIE.
- **A Scheme for Container Manufacturing announced**, to create a globally competitive container manufacturing ecosystem, with a budgetary allocation of over ₹10,000 crore over a 5 year period.

#### vii. **Integrated Programme for the Textile Sector announced**

- a. The National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres, and new-age fibres.
  - b. Textile Expansion and Employment Scheme to modernize traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres.
- **Mega Textile Parks** to be setup in challenge mode with focus on bringing value addition to technical textiles.
  - **Mahatma Gandhi Gram Swaraj** initiative announced, to strengthen khadi, handloom and handicrafts.
- a. Initiative to help in global market linkage, branding and will streamline and support training, skilling, quality of process and production.

### **2. 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.

### **3. Creating “Champion SMEs” and supporting micro enterprises**

- **A dedicated ₹10,000 crore SME Growth Fund**, to be introduced, to create future Champions, incentivizing enterprises based on select criteria.
- **Self-Reliant India Fund** 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.

#### 4. Delivering a powerful push to Infrastructure

- **Public capital expenditure** to be increased to ₹12.2 lakh crore in FY 2026-27.
- Government to set up an **Infrastructure Risk Guarantee Fund** to strengthen the confidence of private developers regarding risks during infrastructure development and construction phase.
- Government to accelerate recycling of significant **real estate assets of CPSEs through the setting up of dedicated REITs**.
- To promote **environmentally sustainable movement of cargo**, following measures are proposed:
  - a. New **Dedicated Freight Corridors** to be established connecting Dankuni in the East, to Surat in the West
  - b. **20 new National Waterways (NW)** to be operationalised 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** to be set up as Regional Centres of Excellence for development of the required manpower.
    - Further, a **ship repair ecosystem** catering to inland waterways to be set up at Varanasi and Patna
  - c. A **Coastal Cargo Promotion Scheme to be launched** for incentivising a modal shift from rail and road, to increase the share of inland waterways and coastal shipping from 6% to 12 % by 2047.
- Incentives to be provided to **indigenize manufacturing of seaplanes** and enhance last-mile and remote connectivity, and promote tourism.
  - a. **Seaplane VGF Scheme** to be introduced to provide support for operations.

#### 5. 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.

#### 6. 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:
  - i. Mumbai-Pune
  - ii. Pune-Hyderabad,
  - iii. Hyderabad-Bengaluru,
  - iv. Hyderabad-Chennai
  - v. Chennai-Bengaluru,
  - vi. Delhi-Varanasi,
  - vii. Varanasi-Siliguri.
- 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.

### **Second Kartavya is to fulfil aspirations and build capacity of people**

- 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 sectors
  - a. 100,000 Allied Health Professionals to be added over the next 5 years
- **Five Regional Medical Hubs** to be established, to promote India as a hub for medical tourism services.

### **AYUSH**

- **3 new All India Institutes of Ayurveda** to be established

### **Animal Husbandry**

- Government to scale up availability of veterinary professionals by more than 20,000
- a. 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.

### **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.

### **Education**

- **5 University Townships** to be created in the vicinity of major industrial and logistic corridors through challenge route.
- a. 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. 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.
- b. A **National Destination Digital Knowledge Grid** to be established to digitally document all places of significance—cultural, spiritual and heritage.

### **Heritage and Culture Tourism**

- 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace to be developed into vibrant, experiential cultural destinations

### **Sports**

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

### **Third Kartavya is aligned with vision of Sabka Sath, Sabka Vikas and requires targeted efforts in the following four areas:**

#### **1. Increasing Farmer Incomes**

- New Initiatives to be undertaken for
- a. Integrated development of 500 reservoirs and Amrit Sarovars

### **High Value Agriculture:**

- Govt. to support high value crops such as :
  - a. coconut, sandalwood, cocoa and cashew in coastal areas
  - b. **Coconut Promotion Scheme** to be launched to increase production and enhance productivity.

### **Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources)**

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

### **2. 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.

### **3. Commitment to Mental Health and Trauma Care**

- Government to set up NIMHANS-2 in north India.
  - a. Government to upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.

### **4. Focus on the Purvodaya States and the North-Eastern Region**

- Government to develop an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 Purvodaya States, and the provision of 4,000 e-buses.
  - a. A scheme to be launched for the development of Buddhist Circuits in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura.

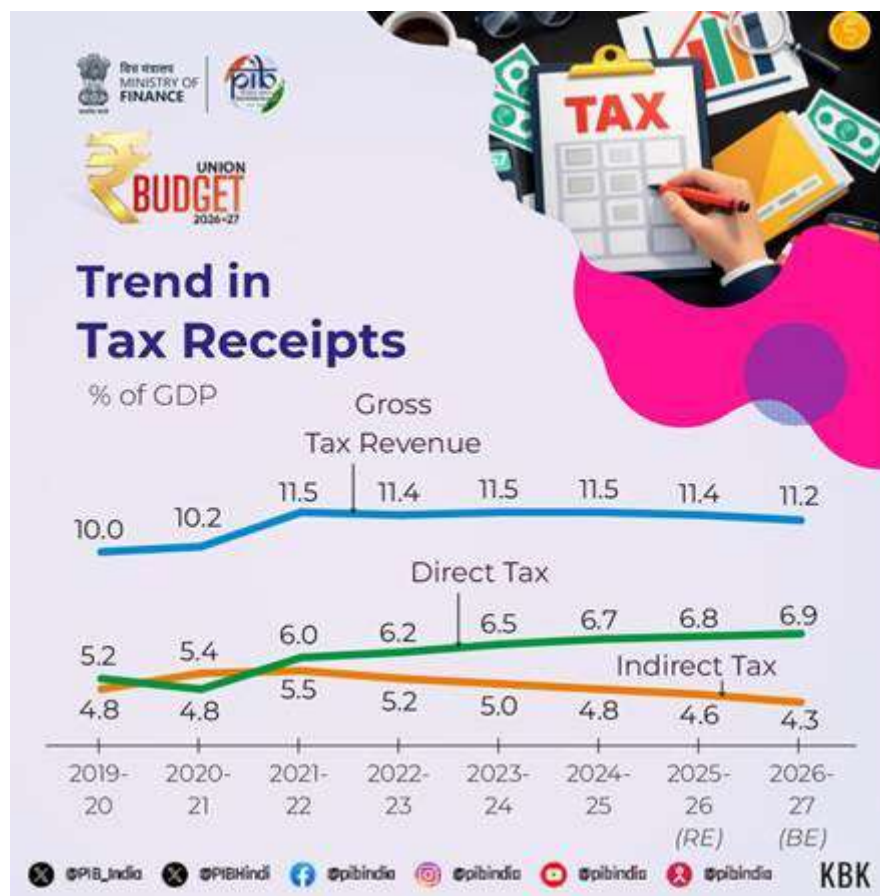
### **16th Finance Commission**

- 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.

## **PART –B**

### **Direct Taxes**





## New Income Tax Act

- New Income tax Act ,2025 to come into effect from April 2026
- The simplified Income Tax Rules and Forms will be notified shortly. The forms redesigned for easy compliance of ordinary citizens.

## 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.
- TCS Rationalization
  - Reduce TCS rate on sale of overseas tour program package to 2 % (from current 2-20%).
  - Reduce the TCS rate to 2% (from current 5%) for LRS remittances for education and medical.
- Simplified TDS provisions for manpower supply will benefit labour intensive business.
- Scheme for small taxpayers wherein a rule based automated process for obtaining Lower or nil deduction certificate instead of filing application with the assessor.
- Single window filing with depositories for Form 15G or 15 H for TDS on dividends, interests etc
- Extend time available for revising returns from 31<sup>st</sup> December to upto 31<sup>st</sup> March with payment of nominal fees
- The timeline for filing of tax returns to be staggered .



- 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.

### **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.
- Prosecution framework under the Income Tax Act to be rationalized.
- Non-production of books of account and documents, and requirement of TDS payment, where payment is made in kind, to be decriminalised.
- 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**

- Extend deduction already 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.

### **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 threshold for availing safe harbour for IT services to be enhanced from 300 crore rupees to 2,000 crore rupees.
- Safe harbour for IT services shall be approved by an automated rule-driven process, can be continued for a period of 5 years at a stretch.
- 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 facility of modified returns available to the entity entering APA to be extended to its

associated entities.

### **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 from income tax for 5 years to be provided to any non-resident who provides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.
- 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.

### **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.

### **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.
- TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2 percent and that on tendu leaves will be reduced from 5 percent to 2 percent.
- STT on Futures to be raised to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options to be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent respectively.
- To encourage companies to shift to the new regime, set-off of brought forward MAT credit to be allowed to companies only in the new regime. Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.
- 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.

**Indirect taxes:****Tariff Simplification****Marine, leather, and textile products:**

- The limit for duty-free imports of specified inputs used for processing seafood products for export, to increase from the current 1 per cent 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.

**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.

**Nuclear Power:**

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

**Critical Minerals:**

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

**Biogas blended CNG:**

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

**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.

**Electronics:**

- The basic customs duty on specified parts used in the manufacture of microwave ovens to be exempted.

**Special Economic Zone:**

- A special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty is proposed. The quantity of such sales will be limited to a prescribed proportion of their exports.

**Ease of Living:**

- The tariff rate on all dutiable goods imported for personal use to be reduced from 20 per cent to 10 per cent.
- The basic customs duty on 17 drugs/ medicines is to be exempted.
- Duty free personal import of drugs/ medicines and food for 7 more rare diseases.

**Customs Process simplification**

- Custom processes to have minimal intervention for smoother and faster movement of goods.

**Trust-based systems**

- Duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators, known as AEOs, to be enhanced from 15 days to 30 days. Same is extended to the eligible manufacturer-importers
- Validity period of advance ruling, binding on Customs, to be extended from the present 3 years to 5 years.
- Government agencies will be encouraged to leverage AEO accreditation for preferential treatment in clearing their cargo.
- Filing of bill of entry by a trusted importer, and arrival of goods will automatically notify Customs for completing their clearance formalities (for import of goods not needing any compliance).
- The Customs warehousing framework to be transformed into a warehouse operator-centric system with self-declarations, electronic tracking and risk-based audit.

**Ease of Doing Business**

- Cargo clearance approvals from various Government agencies to 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, to be operationalised on this system by April 2026 itself.
- For goods not having any compliance requirement, clearance to be done by Customs immediately after online registration is completed by the importer.
- Customs Integrated System (CIS) to 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 to be expanded in a phased manner with the objective to scan every container

across all the major ports.

### **New export opportunities**

- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty, Landing of such fish on foreign port will be treated as export of goods.
- 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

### **Ease of Living**

- Provisions governing baggage clearance to be revised during international travel. Revised rules to enhance duty-free allowances in line with the present day travel realities.
- Honest taxpayers, willing to settle disputes will be able close cases by paying an additional amount in lieu of penalty.

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