

# Budget 2026 - 27 Highlights

## Fiscal Position: Revised and Budget Estimates

- In Revised Estimates (RE) 2025–26, non-debt receipts are placed at ₹34 lakh crore, with net tax receipts of ₹26.7 lakh crore, while total expenditure is estimated at ₹49.6 lakh crore, including capital expenditure of about ₹11 lakh crore.
- For Budget Estimates (BE) 2026–27, non-debt receipts and total expenditure are projected at ₹36.5 lakh crore and ₹53.5 lakh crore respectively, with net tax receipts estimated at ₹28.7 lakh crore.
- To finance the fiscal deficit in 2026–27, net market borrowings are estimated at ₹11.7 lakh crore, with gross market borrowings of ₹17.2 lakh crore, and the remaining financing to be met through small savings and other sources.
- Fiscal deficit stood at 4.4% of GDP in RE 2025–26, same as BE 2025–26. BE 2026–27 fiscal deficit is estimated at 4.3% of GDP, aligning with the debt consolidation strategy.

## Various Reforms, Schemes and Fund Allocations Across Sectors:

- The government announced Biopharma SHAKTI with an outlay of ₹10,000 crore over five years to scale domestic manufacturing of biologics and biosimilars.
- The Electronics Components Manufacturing Scheme, launched in April 2025 with an outlay of ₹22,919 crore, has received investment commitments at over twice the targeted level, leading to a proposed enhancement of outlay to ₹40,000 crore.
- A Scheme for Rare Earth Permanent Magnets, launched in November 2025, will be operationalised through Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu to support mining, processing, research and manufacturing.
- The government will support states in establishing three Chemical Parks to reduce import dependence in chemicals.
- The government will launch India Semiconductor Mission (ISM) 2.0, expanding focus to semiconductor equipment, materials, full-stack Indian IP, and supply-chain resilience.
- A Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) will be introduced to strengthen domestic manufacturing of high-value, technologically advanced equipment.
- A ₹10,000 crore, five-year Scheme for Container Manufacturing is proposed to build a globally competitive container manufacturing ecosystem.

- Mega Textile Parks will be set up with a focus on value addition in technical textiles. The Mahatma Gandhi Gram Swaraj Initiative will be launched to strengthen khadi, handloom and handicrafts.
- A scheme will be introduced to revive 200 legacy industrial clusters through infrastructure and technology upgradation to improve cost competitiveness and efficiency.
- A ₹10,000 crore SME Growth Fund will be introduced to create future champions, with incentives linked to pre-defined performance criteria.
- Recycling of underutilised CPSE real estate assets will be accelerated through the creation of dedicated REITs.
- Seven High-Speed Rail corridors will be developed between cities as growth connectors.
- The Budget will focus on Tier II, Tier III cities and temple towns by mapping City Economic Regions (CERs) based on specific growth drivers. An allocation of ₹5,000 crore per CER over five years is proposed, to be implemented through a challenge mode with reform- and results-based financing.
- A market-making framework will be introduced with access to funding and derivatives on corporate bond indices, along with the introduction of total return swaps on corporate bonds.
- To encourage larger municipal bond issuances, an incentive of ₹100 crore will be provided for a single issuance above ₹1,000 crore, while the existing AMRUT scheme will continue to support issuances up to ₹200 crore for small and medium towns.
- Mega Textile Parks will be set up with a focus on value addition in technical textiles. The Mahatma Gandhi Gram Swaraj Initiative will be launched to strengthen khadi, handloom and handicrafts.
- Persons Resident Outside India (PROI) will be allowed to invest in equity of listed Indian companies under the Portfolio Investment Scheme, with the individual investment limit raised from 5% to 10% and the aggregate PROI limit increased from 10% to 24%.
- The government will support high-value crops to diversify farm output and raise farm incomes, covering coconut, sandalwood, cocoa and cashew in coastal areas, agar in the Northeast, and almonds, walnuts and pine nuts in hilly regions.

## Direct Tax Proposals – Income Tax and TDS/TCS

### Exemptions and Reliefs

- Interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any tax deducted at source on this account will be done away with.
- Inter-cooperative society dividend income will be allowed as a deduction under the new tax regime to the extent it is further distributed to members.
- Dividend income received by a notified national cooperative federation on investments made in companies up to 31 January 2026 will be exempt for a period of three years, provided such dividend is further distributed to member cooperatives.

- Non-disclosure of non-immovable foreign assets with an aggregate value below ₹20 lakh will not attract penalty, and immunity from prosecution will be provided with retrospective effect from 1 October 2024.
- Capital gains exemption on SGBs will be limited to original subscribers holding till maturity, while all secondary market purchases will be taxable, uniformly across RBI issuances from 1st April 2026.
- Exemption from Minimum Alternate Tax (MAT) will be provided to all non-residents who pay tax on a presumptive basis.

## Rationalisation of TDS and TCS

- A scheme for small taxpayers will be introduced wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.
- Depositories will be enabled to accept Form 15G or Form 15H from investors holding securities in multiple companies and provide it directly to the relevant companies.
- TDS on the sale of immovable property by a non-resident will be deducted and deposited through the resident buyer's PAN-based challan instead of requiring a TAN.
- TCS on overseas tour packages and education/medical remittances reduced to a flat 2% (previously varied between 5-20%).

## Filing of Returns and Compliance Timelines

- The time available for revising returns will be extended from 31 December to 31 March with payment of a nominal fee.
- The timeline for filing tax returns will be staggered, with individuals filing ITR-1 and ITR-2 continuing up to 31 July, and non-audit business cases and trusts being allowed time till 31 August.

## Foreign Asset Disclosure Scheme

- A one-time six-month foreign asset disclosure scheme will be introduced to address practical issues faced by small taxpayers such as students, young professionals, tech employees, relocated NRIs, and others.
- The scheme will apply to two categories of taxpayers:
  - Category (A): Those who did not disclose overseas income or assets
  - Category (B): Those who disclosed overseas income and/or paid due tax but could not declare the acquired asset
- For Category (A), the limit of undisclosed income or asset will be up to ₹1 crore, with payment of 30 per cent of the fair market value or undisclosed income as tax and an additional 30 per cent as income tax in lieu of penalty, granting immunity from prosecution.

- For Category (B), the asset value limit will be up to ₹5 crore, with immunity from penalty and prosecution available on payment of a fee of ₹1 lakh.

## **Prosecution and Decriminalisation Measures**

- The prosecution framework under the Income Tax Act will be rationalised while maintaining deterrence for serious offences.
- Non-production of books of account and documents, and failure to deduct TDS where payment is made in kind, will be decriminalised. Minor offences will attract only a fine.

## **Corporate Taxation and MAT Reforms**

- Buyback taxation will be shifted to capital gains for all shareholders. Corporate promoters will face an effective tax rate of 22 per cent, while non-corporate promoters will face an effective rate of 30 per cent through an additional buyback tax.
- Set-off of brought-forward MAT credit will be allowed only under the new tax regime, limited to one-fourth of the tax liability.
- MAT will be made a final tax, with no further credit accumulation from 1 April 2026.
- The MAT rate will be reduced to 14 per cent from the existing 15 per cent.
- MAT credit accumulated up to 31 March 2026 will continue to be available for set-off as specified.

## **International Taxation, Safe Harbour and Non-Residents**

- A tax holiday till 2047 will be provided to foreign companies offering cloud services globally using data centre services from India, subject to providing services to Indian customers through an Indian reseller.
- A safe harbour margin of 15 per cent on cost will be provided where data centre services are rendered from India by a related entity.
- Safe harbour will be provided to non-residents for component warehousing in bonded warehouses at a profit margin of 2 per cent of invoice value.
- Income tax exemption for five years will be provided to non-residents supplying capital goods, equipment or tooling to toll manufacturers in bonded zones.
- Exemption will be provided to non-resident experts on global income for a stay period of five years under notified schemes.
- Common safe harbour rules will be prescribed at 15.5 per cent for IT, ITeS, KPO and contract R&D, with the turnover threshold increased from ₹300 crore to ₹2,000 crore.

## Securities Transaction Tax (STT)

- STT on futures will be increased from 0.02 per cent to 0.05 per cent.
- STT on options premium and exercise of options will be increased to 0.15 per cent from 0.10 per cent and 0.125 per cent respectively.

## Procedural and Miscellaneous Direct Tax Measures

- A new Income Tax Act will be implemented from 1 April 2026, with rules and forms to be notified separately.
- Minimum payment required for core tax demand will be reduced from 20 per cent to 10 per cent.
- Income Computation and Disclosure Standards (ICDS) will be subsumed into Ind AS, with separate ICDS done away with from FY 2027–28.

## Export and Import Promotion

- Increase duty-free import limit for seafood-processing inputs from 1% → 3% of previous year's FOB exports.
- Allow duty-free imports for Shoe Uppers (currently limited to leather/footwear).
- Extend customs duty relief on capital goods for Lithium-Ion Cells to include battery energy storage systems.
- Remove customs duty on sodium antimonate for solar glass production.
- Exclude biogas value from Central Excise duty on biogas-CNG blends.
- Provide duty exemption on specified parts for microwave oven production to promote domestic value addition.
- Continue customs duty relief for nuclear power projects till 2035, covering all plant capacities.
- Offer duty exemption for import of capital goods used in processing critical minerals in India.

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