



# Key Features of Budget 2026-2027

Budget Division | February 2026

# India's Economic Trajectory

## Viksit Bharat: Balancing Ambition with Inclusion

### Action Over Ambivalence

Transform aspiration into achievement

### Reform Over Rhetoric

Convert potential into performance

### People Over Populism

Sustainable growth for all citizens

## Four Pillars of Economic Stability

India's economic framework rests on four interconnected pillars that ensure balanced and sustainable growth. These elements work together to create a stable foundation for achieving our development goals.

### Stability

Consistent policy framework

### Fiscal Discipline

Responsible spending

### Sustained Growth

Long-term expansion

### Moderate Inflation

Price stability

# Achieving 7% Growth Rate

## Eight Key Drivers of Economic Performance



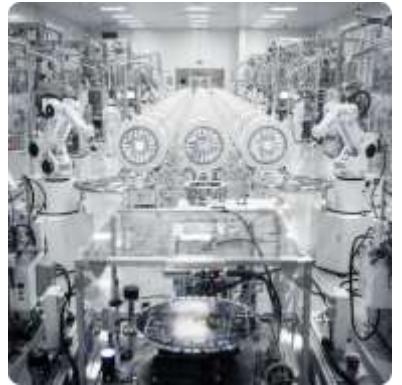
# Sustaining Economic Growth

The budget focuses on two critical sectors driving India's economic transformation: manufacturing and services. Strategic initiatives across frontier sectors and service industries will position India as a global economic powerhouse.



# Manufacturing: Strategic and Frontier Sectors

## Comprehensive Industrial Development Initiatives



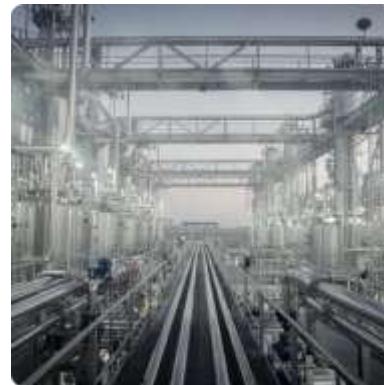
**India Semiconductor Mission 2.0**  
Next generation chip manufacturing



**Container Manufacturing**  
Boosting logistics infrastructure



**Biopharma SHAKTI**  
Strengthening pharmaceutical capabilities



**Chemical Parks**  
Three dedicated facilities



**Hi-Tech Tool Rooms**  
Advanced manufacturing in CPSEs



**Rare Earth Magnets**  
Research, mining, and manufacturing



# Additional Manufacturing Initiatives

## Integrated Textiles Programme

Comprehensive support for textile manufacturing and exports

## Affordable Sports Goods

Dedicated initiative for domestic sports equipment manufacturing

## Electronics Components

New scheme for electronic component manufacturing

## Legacy Industrial Clusters

Revival of 200 traditional industrial zones

## Construction Equipment

High-value infrastructure equipment manufacturing

# Tax Reforms for Manufacturing

## Comprehensive Incentives to Boost Production

### Five-Year Tax Exemption

For non-residents providing capital goods to toll manufacturers in bonded zones

### Safe Harbour Provisions

Component warehousing in bonded warehouses for non-residents

### Deferred Duty Payment

Extended payment window for trusted manufacturers

### Duty-Free Import Expansion

Increased limits for seafood processing and footwear exports

### Extended Export Timeline

Export period extended from 6 months to 1 year for garments and footwear

# Additional Manufacturing Tax Benefits

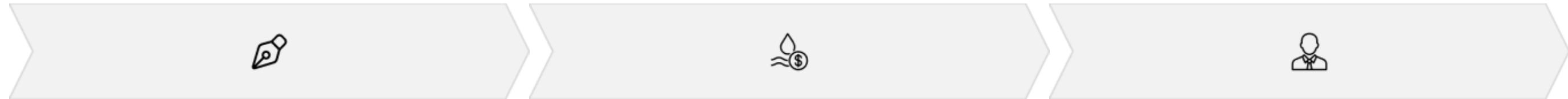
The budget introduces several targeted duty exemptions to strengthen specific manufacturing sectors and reduce production costs.

- Basic customs duty exemption on microwave oven components
- Duty-free imports for aircraft manufacturing parts
- Exemption on raw materials for aircraft maintenance and defense units
- Recognition of trusted importers in risk management systems
- Electronic sealing for export cargo clearance from factory to ship
- Special one-time measure for SEZ units to sell in domestic market at concessional duty rates



# MSME Growth Strategy

## Three-Pronged Approach to Create Champions



### Equity Support

₹12,000 crore fund allocation

### Liquidity Support

Integrate MSMEs with  
TReDS platform

### Professional Support

Deploy Corporate Mitras program

The government is implementing a comprehensive strategy to help MSMEs scale up and become industry champions through financial, operational, and professional support mechanisms.

# MSME Growth Strategy

## Three-Pronged Approach to Create Champions

### 1. Equity Support for MSMEs Financial Backing for Growth

The government is establishing dedicated funds to provide equity capital to high-potential MSMEs, enabling them to scale operations and compete globally.

**₹10,000**

SME Growth Fund

Crore allocated for new dedicated fund

**₹2,000**

Self-Reliant India Fund

Crore top-up to existing fund

## 2 . Liquidity Support Through TReDS

Transforming MSME Cash Flow Management



### TReDS Mandate

All CPSE purchases from MSMEs must use TReDS platform

### Credit Guarantee

CGTMSE support for invoice discounting on TReDS



### GeM Integration

Linking GeM with TReDS for faster financing

### Asset-Backed Securities

TReDS receivables as securities for secondary market

### 3. Professional Support for MSMEs

#### Corporate Mitras Initiative

The government will facilitate professional institutions to develop 'Corporate Mitras' especially in Tier-II and Tier-III towns. These professionals will help MSMEs meet compliance requirements at affordable costs, reducing the burden of regulatory complexity.

**Tax Proposal:** Removal of the current value cap of ₹10 lakh per consignment on courier exports, enabling MSMEs to export more efficiently.





# Renewing Emphasis on Services Sectors

A High-Powered 'Education to Employment and Enterprise' Standing Committee will focus on the Services Sector as a core driver of Viksit Bharat, recognizing its critical role in economic growth and job creation.

# Healthcare Ecosystem Development

## Allied Health Professionals

Upgrade and establish new institutions for AHPs in ten selected disciplines

## Caregiver Training

NSQF-aligned programmes to train 1.5 lakh multiskilled caregivers

## Medical Value Tourism

Five Hubs in partnership with private sector across states



# AYUSH and Traditional Medicine



## Strengthening Traditional Healthcare

The budget allocates significant resources to enhance India's traditional medicine systems and establish global leadership in AYUSH.

- Three new All India Institutes of Ayurveda
- Upgrading AYUSH pharmacies and Drug Testing Labs for higher certification standards
- Upgrading the WHO Global Traditional Medicine Centre

# Orange Economy and Creative Industries

## Fostering Innovation in Media and Design



### AVGC Content Creator Labs

Establishing labs in 15,000 secondary schools and 500 colleges to nurture creative talent in animation, visual effects, gaming, and comics



### National Institute of Design

Setting up a new NID in eastern region of India through the Challenge route to expand design education infrastructure

# Sports Development: Khelo India Mission

## Integrated Sports Ecosystem

The Khelo India Mission represents a comprehensive approach to sports development in India, focusing on multiple dimensions of athletic excellence.

### **Talent Development Pathway**

Systematic identification and nurturing of sporting talent

### **Science & Technology Integration**

Advanced sports science and analytics

### **Coaching Excellence**

Professional development programs for coaches

### **Infrastructure Development**

World-class sports facilities across the country



# Education Infrastructure Expansion



## University Townships

Five new townships near major industrial and logistic corridors



## Girls' Hostels

One girls' hostel in Higher Education STEM institutions in every district



## Telescope Infrastructure

Setting up or upgrading four telescope facilities for research

# Tourism Development Initiatives

## Building World-Class Tourism Infrastructure

- **National Institute of Hospitality**  
Bridge between academia, industry and government
- **Guide Upskilling Programme**  
Pilot scheme for 10,000 guides in 20 iconic tourist sites
- **Digital Knowledge Grid**  
National platform documenting all places of significance
- **Eco-Tourism Trails**  
Mountain, turtle, and bird watching trails in select states
- **Global Big Cat Summit**  
India to host the first ever international summit



# Cultural and Heritage Tourism



## Preserving and Promoting Heritage

The budget emphasizes transforming India's rich cultural heritage into experiential destinations that attract domestic and international tourists.

- Develop 15 archaeological sites into vibrant, experiential cultural destinations
- Development of Buddhist Circuits in North East Region
- Integration of heritage conservation with tourism infrastructure

# Tax Reforms for Services Sector

## Simplifying and Incentivizing Service Exports

### IT Services Consolidation

Single category with 15.5% safe harbour margin

1

2

### Automated Approval

Rule-driven process for safe harbour applications

3

4

### Threshold Increase

Safe harbour limit raised from ₹300 crore to ₹2,000 crore

### Extended Duration

Five-year safe harbour period at company's choice

# Cloud Services and Data Centers

## Attracting Global Technology Investment

The budget introduces unprecedented tax incentives to position India as a global hub for cloud services and data center operations.

**2047**

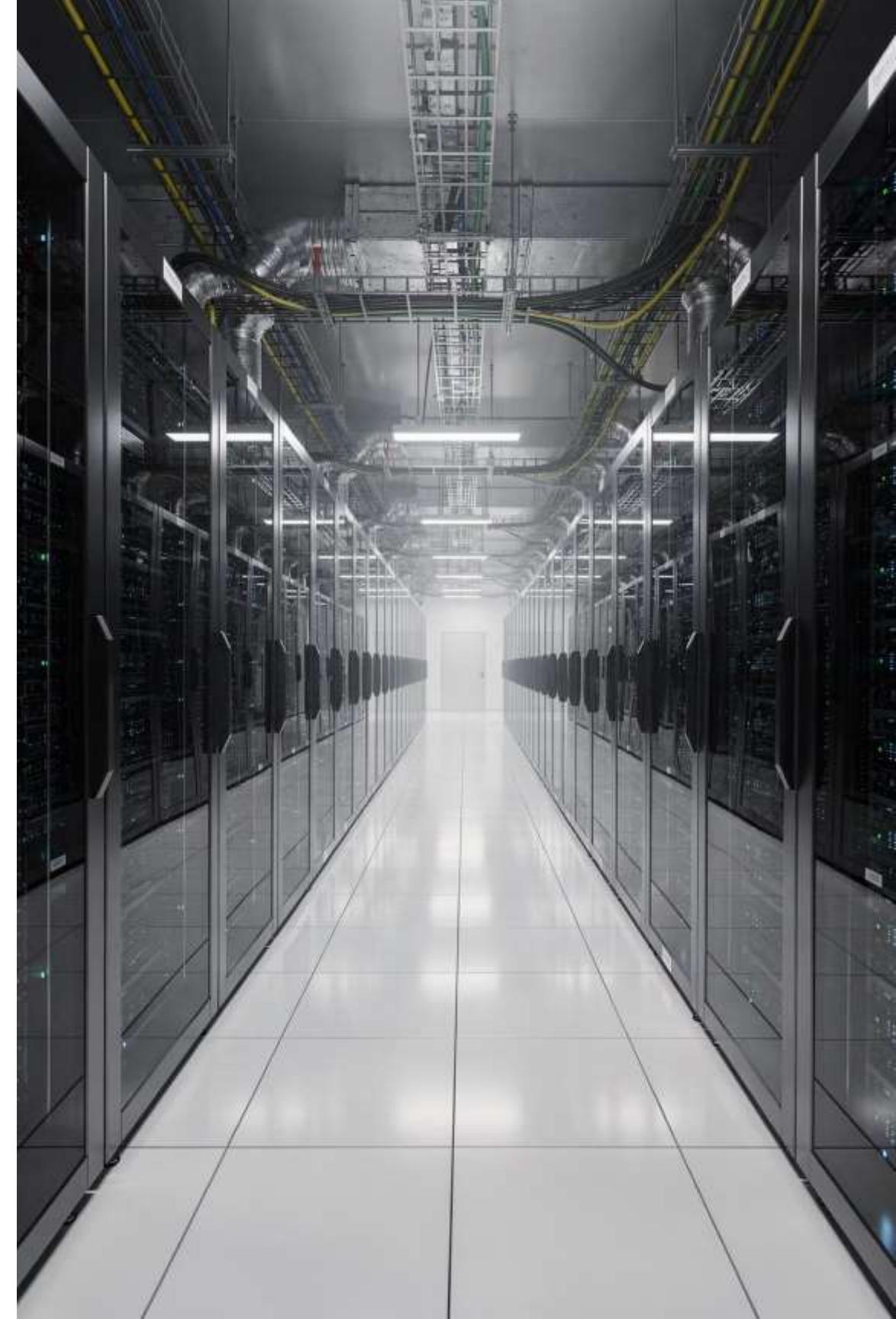
**Tax Holiday Until**

For foreign companies providing cloud services

**15%**

**Safe Harbour Rate**

On cost for data center services



# Additional Service Sector Incentives

## APA Process Enhancement

Fasttrack unilateral APA process for IT services, concluding within two years with possible six-month extension

## Modified Returns Extension

Facility extended to associated entities of APA-availing companies

## Expert Income Exemption

Global income of non-resident experts exempt for five-year stay under notified schemes

# Financial Sector Reforms

## Strengthening India's Financial Infrastructure



### Banking Committee

High Level Committee on Banking for Viksit Bharat to align with India's next growth phase



### Municipal Bonds

₹100 crore incentive for single issuance above ₹1,000 crore.



### Power Finance

Restructuring PFC and REC for enhanced efficiency



### FEMA Review

Comprehensive review of Non-debt Instruments Rules



# Capital Markets Development

## Enhancing Market Depth and Liquidity



The budget introduces measures to deepen capital markets and improve corporate bond market functioning.

- Introduction of market making framework for corporate bonds
- Total return swaps on corporate bonds to enhance liquidity
- STT on Futures increased from 0.02% to 0.05%
- STT on options premium raised to 0.15% from 0.1%
- STT on exercise of options increased to 0.15% from 0.125%

# Strengthening Growth Foundations

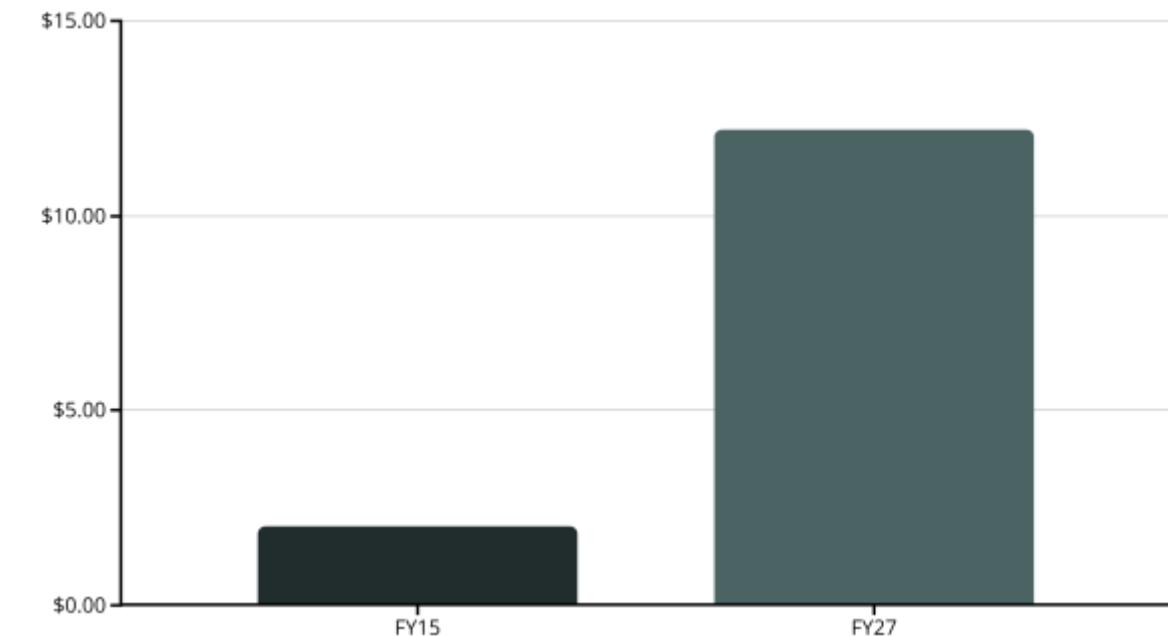
Infrastructure development remains a cornerstone of India's growth strategy, with continued focus on large-scale enhancement of public infrastructure through innovative financing mechanisms.



# Infrastructure Investment Growth

## Unprecedented Capital Expenditure

- Public capital expenditure has grown dramatically, reflecting the government's commitment to building world-class infrastructure.
- The focus continues on developing Tier II and Tier III cities with populations over 5 lakh.
- Key financing mechanisms include InViTs, REITs, NIIF, and NABFID to mobilize private capital for infrastructure development.



# Major Infrastructure Initiatives

## Transforming Connectivity and Logistics

01

### Infrastructure Risk Guarantee Fund

Providing partial credit guarantees to lenders for infrastructure projects

02

### CPSE Real Estate REITs

Recycling real estate assets through dedicated REITs

03

### Dedicated Freight Corridors

New corridors connecting Dankuni in East to Surat in West

04

### National Waterways

Operationalising 20 new waterways connecting mineral areas and ports

05

### Ship Repair Ecosystem

Establishing facilities for inland waterways maintenance

# Maritime and Coastal Development

## Expanding Water Transport



The budget aims to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047 through targeted interventions.

### Coastal Cargo Scheme

Promotion scheme to boost coastal shipping

### Seaplane VGF

Scheme to indigenise seaplane manufacturing

# Regional Development Programs

## SASCI Scheme

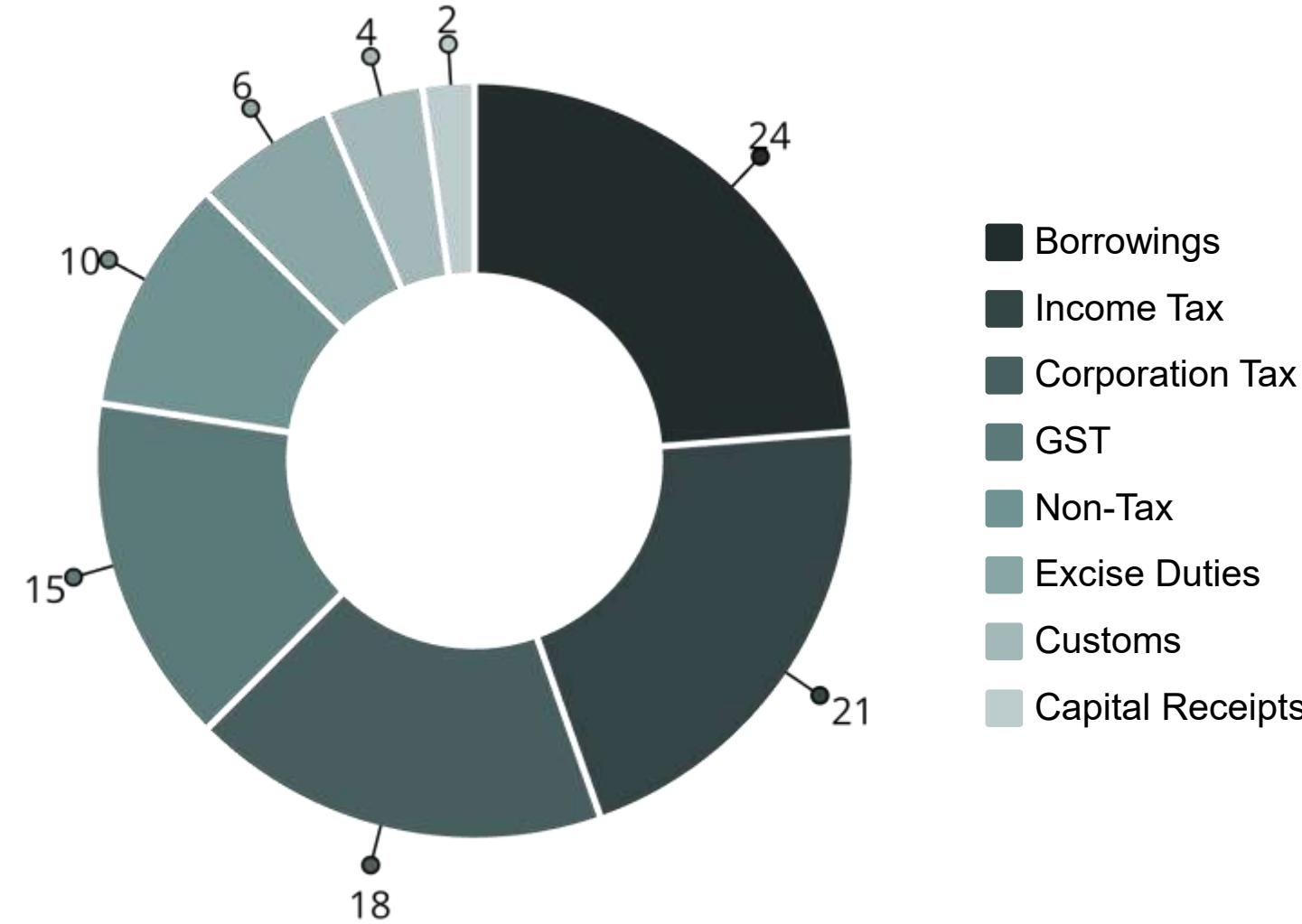
₹2 lakh crore support to states for infrastructure development under State and Sub-sovereign Capex Infrastructure scheme

## Purvodaya Initiative

Development of Integrated East Coast Industrial Corridor to transform eastern India into an industrial powerhouse

# Budget Revenue Sources

## Where the Rupee Comes From

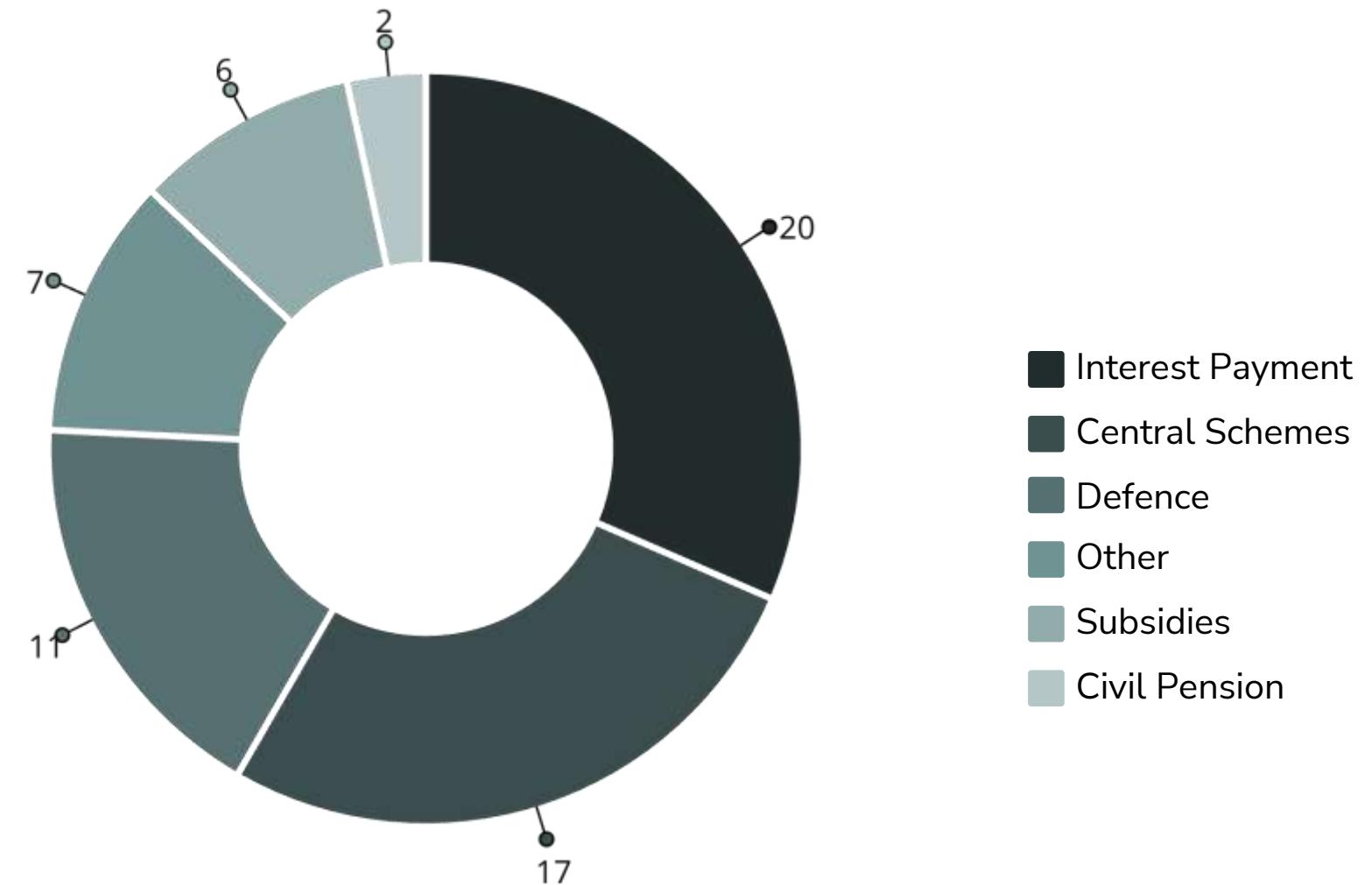


The government's revenue composition reflects a balanced approach to resource mobilization. Direct taxes (Income Tax and Corporation Tax) contribute 39% of total revenue, while indirect taxes (GST, Customs, Excise) account for 25%. Borrowings at 24% remain within prudent fiscal limits, supporting infrastructure investment while maintaining fiscal discipline.

# Budget Expenditure Allocation

## Where the Rupee Goes To

- Government expenditure prioritizes productive investments and essential services. Interest payments at 20% reflect past borrowings, while defence at 11% ensures national security.
- Central Sector Schemes at 17% drive development initiatives across sectors. Major subsidies at 6% provide targeted support to vulnerable sections.



# Sectoral Expenditure Priorities

## Major Budget Allocations (₹ Crore)

Transport ₹5,98,520	Defence ₹5,94,585	Rural Development ₹2,73,108	Home Affairs ₹2,554
Agriculture and Allied Activities ₹1,62,671	Education ₹1,39,289	Energy ₹1,09,029	Health ₹1,04,599
Urban Development ₹85,522	IT and Telecom ₹74,560	Commerce and Industry ₹70,296	Social Welfare ₹62,362
Scientific Departments ₹55,756	Tax Administration ₹45,500	External Affairs ₹22,119	Finance ₹20,649
Development of North East ₹6,812			

# GIFT City IFSC: Tax Benefits Extended

## Strengthening India's Global Financial Gateway Enhanced Tax Deduction Framework

Budget 2026 significantly extends tax benefits for GIFT City IFSC, reinforcing its position as India's premier international financial center.

**20**

**Years Deduction**  
Extended from 10 to 20 consecutive years

**25**

**Years Window**  
Overall eligibility extended from 15 to 25 years

**100%**

**Tax Deduction**  
On eligible income for IFSC Units and OBUs

**15%**

**Post-Deduction**  
Tax rate after deduction period ends



# Direct Tax Reforms Overview

Budget 2026 introduces comprehensive tax reforms aimed at simplification, compliance ease, and attracting global investment. A new Income Tax Act will replace the existing law from April 1, 2026.



# New Income Tax Law and Compliance

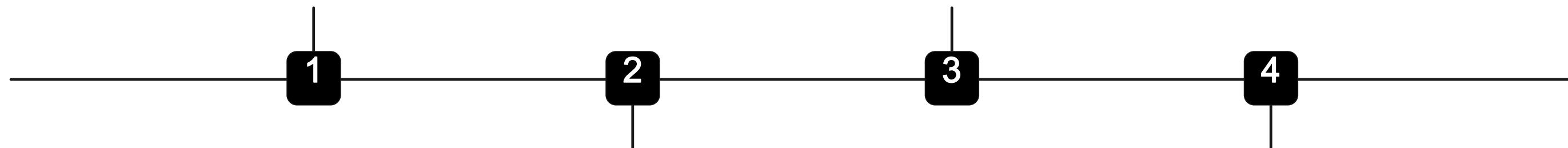
Simplifying the Tax Framework

## New Tax Act

Income Tax Act, 2025 effective from April 1, 2026

## Extended Window

Revised return filing extended to March from  
December



## Simplified Forms

Redesigned return forms for easier filing

## Clear Deadlines

July 31 for individuals, August 31 for trusts

# Direct Tax Relief Measures

## Motor Accident Compensation

Interest on compensation made fully tax-exempt

## TCS Rate Reduction

Foreign tour packages: 2%; Education LRS: reduced from 5% to 2% the new regime.

## TDS Simplification

Easier process for Lower/Nil TDS certificates

## NRI Property Purchases

TDS can be deducted using PAN, no TAN required

## Manpower Services

Brought under TDS at 1% / 2% rates



# Disclosure and Compliance Schemes

## Overseas Income & Asset Disclosure

### Voluntary Disclosure Framework

The budget introduces a one-time scheme for taxpayers to disclose foreign assets and income with reduced penalties.

**30%**

**Tax Rate**

Plus 30% additional tax for assets up to ₹1 crore

**₹1 L**

**Fixed Fee**

For assets up to ₹5 crore

Updated returns allowed even if reassessment proceedings have started, with 100% additional tax. Stricter action proposed for non-disclosure of foreign assets.

# Appeals and Penalty Reforms

## Reduced Pre-Deposit

Stay of demand pre-deposit reduced from 20% to 10%, easing cash flow burden on taxpayers

## Fixed Fee Structure

Penalties for Tax Audit and Transfer Pricing Audit converted to fixed fees for predictability

## Prosecution Relief

No prosecution for non-production of books or non-payment of TDS; maximum imprisonment reduced to 2 years

## Immunity Framework

Extended to misreporting cases; retrospective immunity for non-disclosure of non-immovable foreign assets below ₹20 lakh

# Corporate & International Tax Changes

The budget introduces several significant amendments to corporate and international taxation, aiming to refine disclosure standards, adjust capital market levies, and reform Minimum Alternate Tax (MAT) provisions.



## Ind AS & ICDS Alignment

New disclosure consistency between Indian Accounting Standards (Ind AS) and Income Computation and Disclosure Standards (ICDS).



## Share Buy-back Tax

Capital gains for minority shareholders from share buy-backs will now be taxed as LTCG/STCG.



## STT on Options Trading

Securities Transaction Tax (STT) on the exercise of options has been increased from 0.125% to 0.15%.



## MAT Credit Carry-forward

MAT credit carry-forward will be allowed up to 25% of the tax liability under the new tax regime.



## MAT Not Applicable

Minimum Alternate Tax (MAT) will no longer be applicable from April 1, 2026, under the new tax regime.

# Sectoral & Investment Incentives

## Co-operative Support

Exemption extended to cotton seed and cattle feed for co-operatives, fostering growth in agricultural value chains.

## Global Investment Push

- Tax holiday till **2047** for foreign companies providing data centre services, attracting long-term capital.
- Safe Harbour margin fixed at **15%**, providing certainty for international transactions.

# THANK YOU



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