



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



Biopharma SHAKTI

Strengthening pharmaceutical capabilities



Hi-Tech Tool Rooms

Advanced manufacturing in CPSEs



Rare Earth Magnets

Research, mining, and manufacturing



Container Manufacturing

Boosting logistics infrastructure



Chemical Parks

Three dedicated facilities

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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



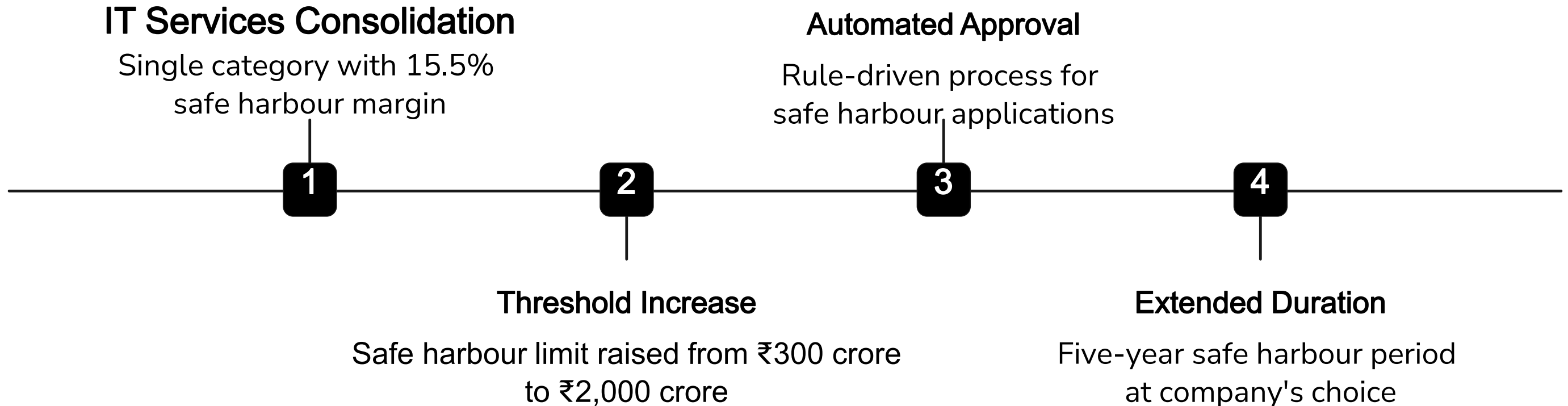
Preserving and Promoting Heritage

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



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

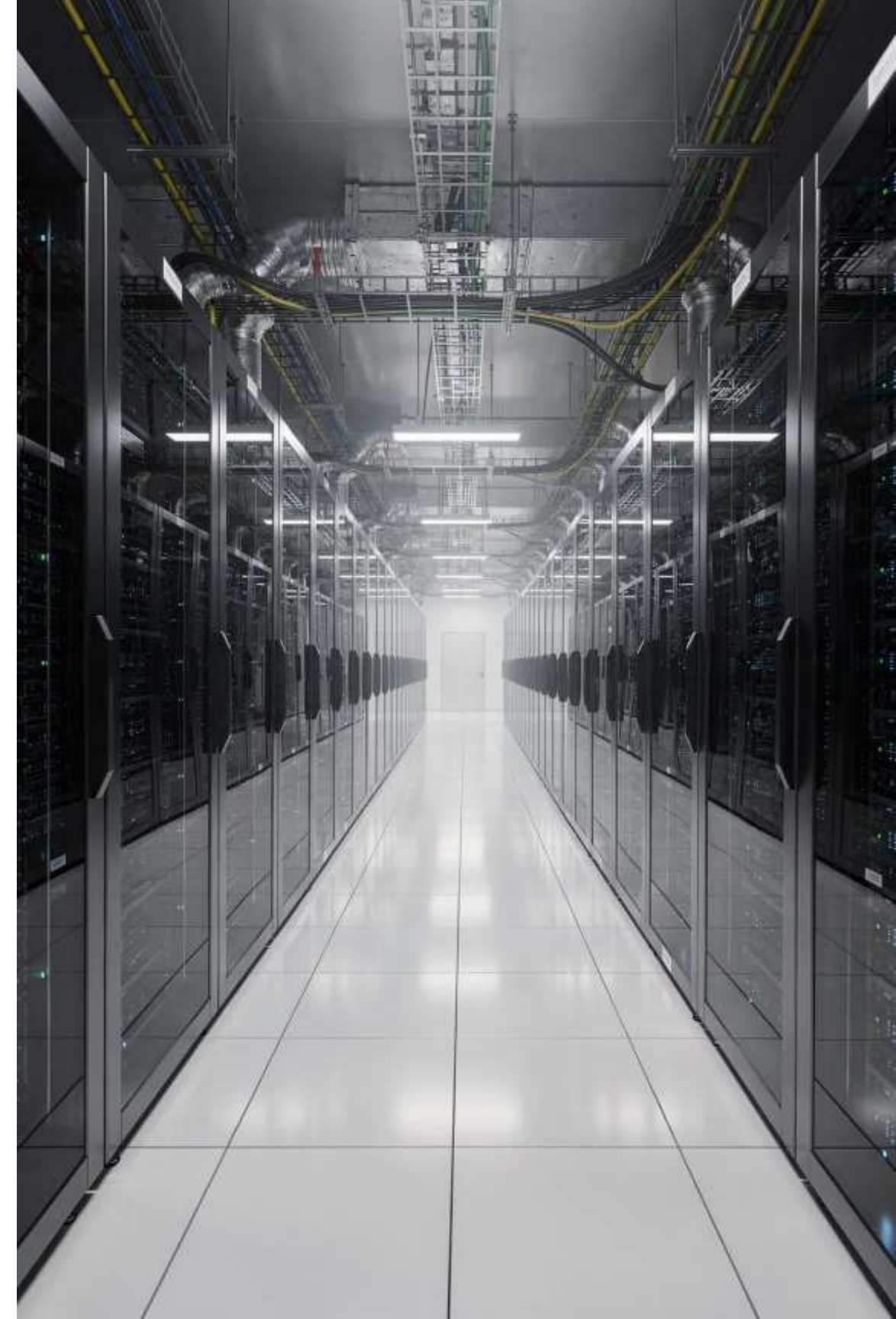
For foreign companies
providing cloud services

15%

Safe Harbour Rate

On cost for data center services

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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

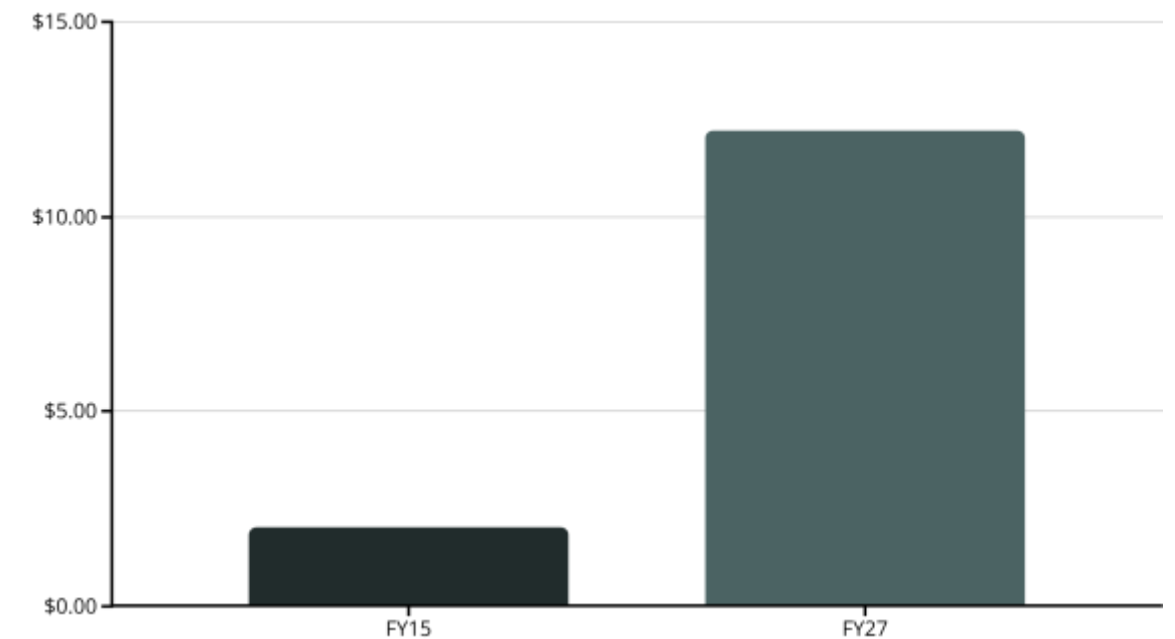
Infrastructure development remains a cornerstone of India's growth strategy, with continued focus on large-scale enhancement of public infrastructure through innovative financing mechanisms.



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	02	03
Infrastructure Risk Guarantee Fund	CPSE Real Estate REITs	Dedicated Freight Corridors
Providing partial credit guarantees to lenders for infrastructure projects	Recycling real estate assets through dedicated REITs	New corridors connecting Dankuni in East to Surat in West
04	05	
National Waterways	Ship Repair Ecosystem	
Operationalising 20 new waterways connecting mineral areas and ports	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

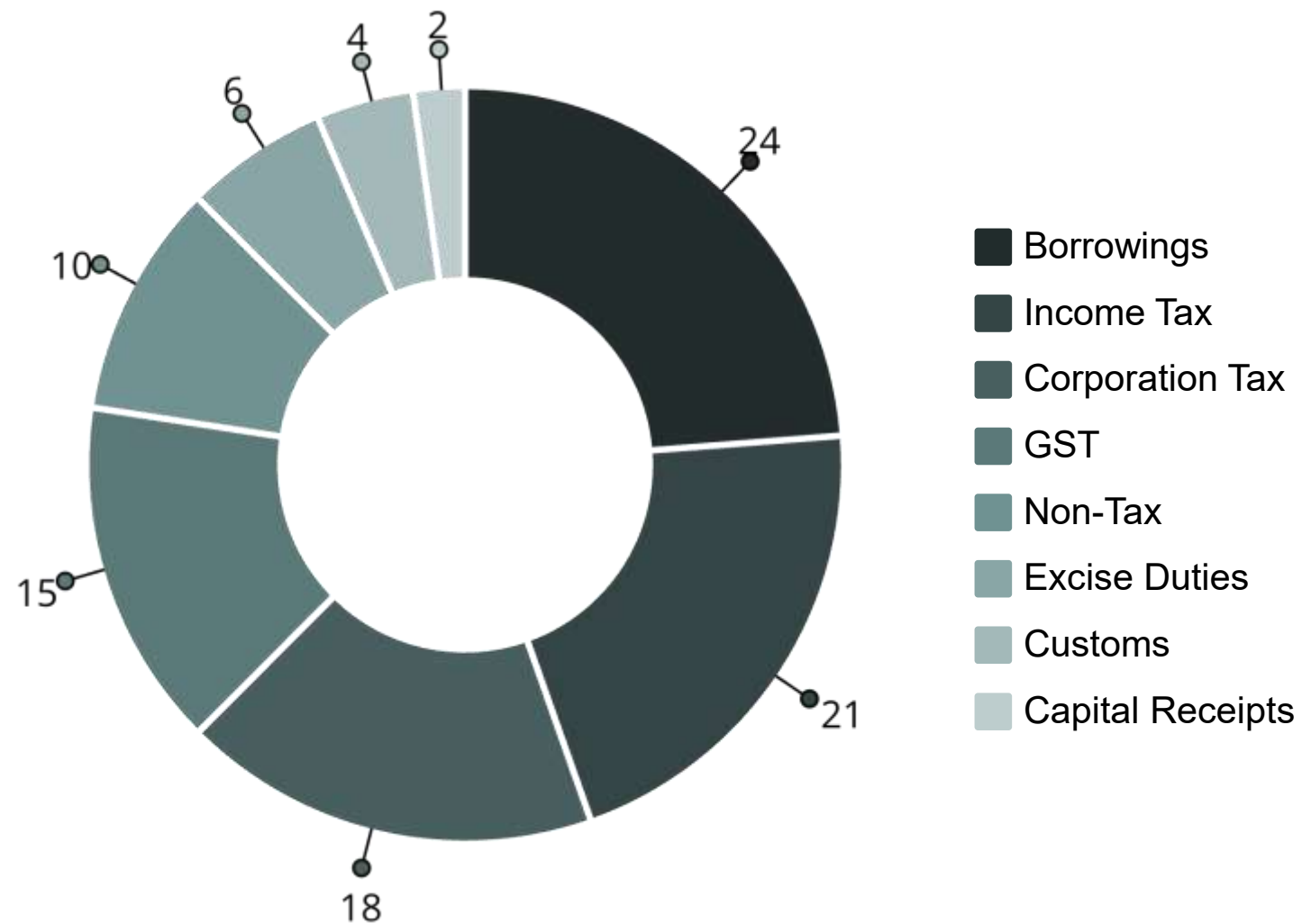
₹2 lakh crore support to states for infrastructure development under State and Sub-sovereign Capex Infrastructure scheme

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



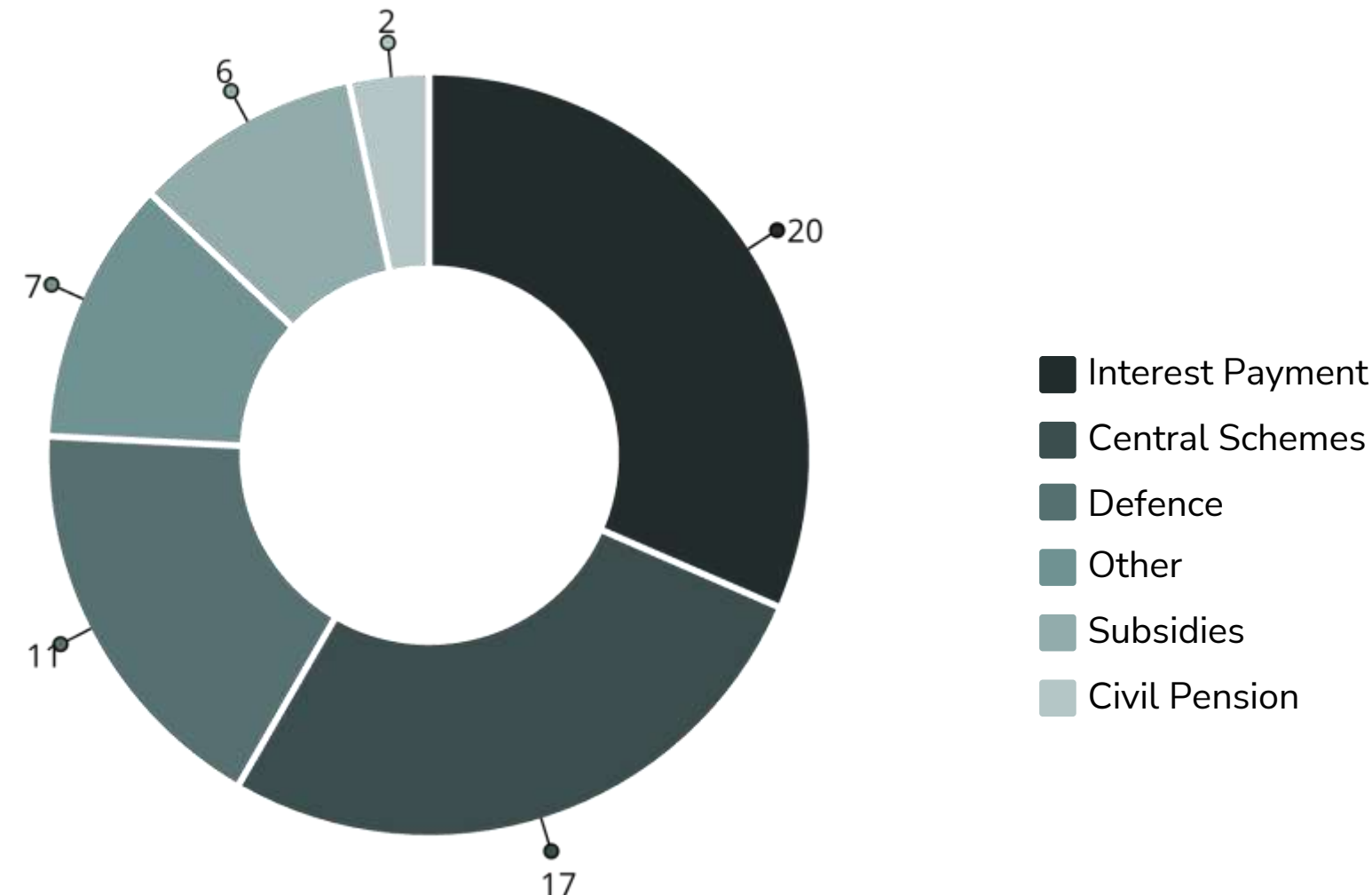
The government's revenue composition reflects a balanced approach to resource mobilization. Direct taxes (Income Tax and Corporation Tax) contribute 39% of total revenue, while indirect taxes (GST, Customs, Excise) account for 25%.

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

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GUJARAT INTERNATIONAL FINANCE TEC-CITY

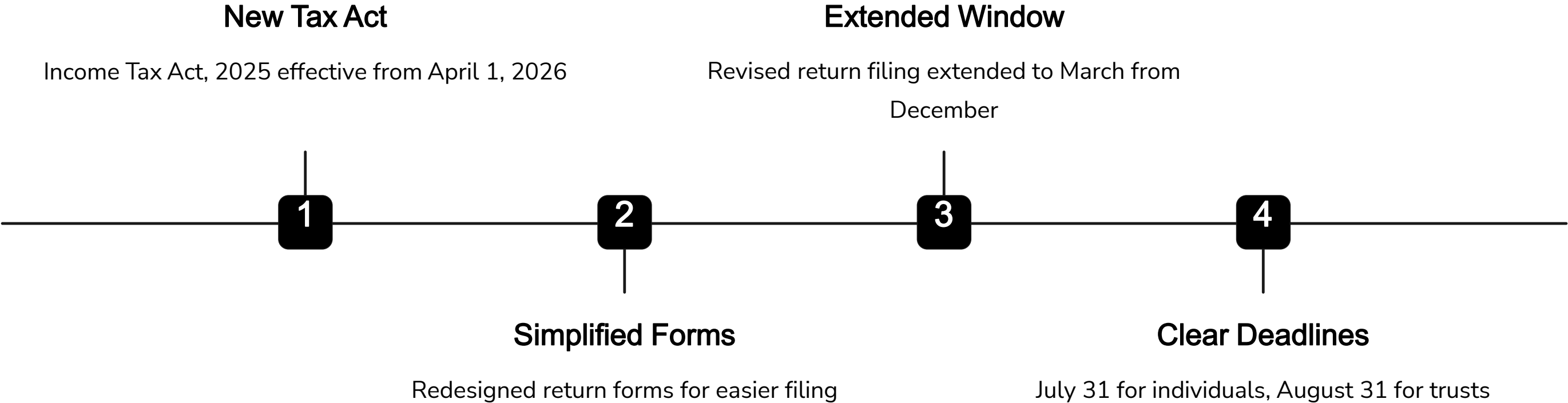
Direct Tax Reforms Overview

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



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

₹1L

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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