Union Budget 2026-27:
The Era of Simplification & Scale

The Union Budget 2026–27 continues India's trajectory of high-growth fiscal management. It prioritizes stability and competitiveness through sustained capital spending and ongoing structural reforms.

The Budget's framework is built on three key Kartavyas:

- Accelerating Growth: Maintaining economic leadership.
- Empowering People: Fulfilling aspirations through skill and capacity.
- Universal Access: Leaving no region or community behind.

Transitioning to a Viksit Bharat is a shared mission. While the Budget establishes the policy direction, the speed of progress will be determined by the initiative of businesses & institutions and the engagement of citizens.

Source: Union Budget Documents

The Four Pillars of the 2026 Transition

Sectoral Boosts:
Strategic support for "Make in India" via Customs Modernization. Major wins for IFSC (20-year holiday), Data Centres, and Critical Minerals.

Market Tightening:
Capital Market Reforms introduce a "Sting in the Tail". STT hikes on F&O and new taxation rules for Buybacks aim to curb retail speculation.

The Regulatory Shift:
Operationalization of the Income Tax Act, 2025. A historic move towards tax simplification, focusing on reduced prosecution and streamlined compliance.

Compliance Relief:
Extended timelines for returns. Revised Returns now allowed until the end of the Assessment Year. Changes in rules for filing of Updated Returns.

Source: Union Budget Documents

Union Mutual Fund

Manufacturing 2.0: From Assembly to Deep-Tech Components

Strategic initiatives designed to propel India's manufacturing capabilities

India Semiconductor Mission 2.0:
Rs. 1000 Crore provision for FY27
Focus on domestic equipment, materials & Intellectual Property. The Budget significantly boosted India's semiconductor ecosystem with a total outlay of Rs. 8,000 Crore.

Component Manufacturing Scheme:
Rs. 40,000 Crore
Scaling up from assembly to input manufacturing.

Bio-Pharma SHAKTI:
Rs. 10,000 Crore
Support for biologics and biosimilars.

Cluster-Driven Chemical Parks:
Speciality manufacturing and domestic intermediaries.

Support for SMEs:
Rs. 10,000 crore dedicated for SME Growth Fund
Proposed to create future 'Champion SMEs' based on defined performance criteria.

Source: Union Budget Documents

Logistics & Infra Push: The Arteries of Export Growth

The new budget announcements will provide supply-chain resilience as domestic production of containers and rare earth components will potentially lower import dependence for electronics, electric vehicles and infra projects.

Customs Duty Strategy:

A calibrated tariff structure furthering 'Make in India' by lowering input costs, protecting finished goods and promoting Indian Agri.

i. **Protection**
Goal: Support Domestic Industry
Examples: Duty hikes on imports of umbrella, food preparations, walnuts in shell

ii. **Cost Reduction**
Goal: Cheaper Critical Inputs
Examples: Duties reduced on Critical Minerals (Lithium, Cobalt, Silicon), Energy (Coal, Coke), PVC Resins

iii. **Export Boost**
Goal: Aid Agri & Marine Sectors
Examples: Tax & duty cuts for frozen fish/shrimp, turkey meat, Extra Long Staple Cotton

Source: Union Budget Documents

Stimulating Investments through Tax Holidays

i. Tax holiday for units in International Financial Services Centre (IFSC) and Offshore Banking Units has been extended to 20 years from 10 years previously.

ii. Tax holiday extended up to 2047 for foreign entities providing global cloud services using data centres based in India.

A New Legal Era: Operationalizing the Income Tax Act, 2025

The Income Tax Act, 2025 will come into force from 1st April 2026, with simplified rules, forms and compliance processes.

i. Measures to reduce litigation include integration of assessment and penalty proceedings, decriminalisation of minor offences and rationalisation of prosecution provisions. Penalty for certain technical defaults will now be removed and instead a fee will be levied.

ii. Minimum Alternate Tax (MAT) has been made a final tax and the rate reduced to 14%, to encourage migration to the new corporate tax regime.

iii. Foreign Asset Disclosure Scheme 2026: A 'Clean Slate' opportunity for resident Indians with undisclosed foreign assets. Small Taxpayer Relief (Retrospective from 1 Oct 2024) for foreign assets < Rs. 20 Lakhs: Exempt from Black Money Act penalty and prosecution.

iv. Provident Fund rule clean-up:

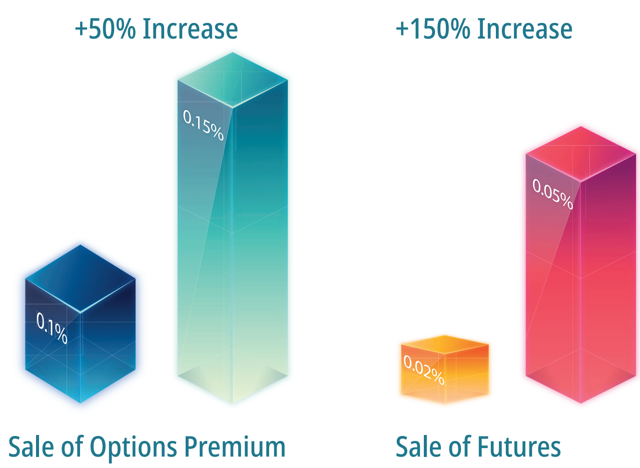
a. As per the old law, the employer's contribution to provident fund above 12% of the salary was considered a taxable perquisite. Budget proposes to remove this 12% restriction keeping it tax-free, if the combined employer contribution to PF, NPS and superannuation stays within the overall Rs 7.5 lakh annual cap.

b. Previously, employee PF/ESI contributions were deductible only if deposited by the statutory due date. The new budget proposes allowing the deduction if paid on or before the income tax return filing due date, even if the statutory deadline is missed

Rise in STT: The Sting in the Tail

New rules have been designed to curb retail speculation

Securities Transaction Tax (STT) Hikes



Source: Union Budget Documents

Compliance & Relief: Widening the Window to Correct Mistakes

The budget proposes extending the deadline for filing revised income-tax returns from 31 December to 31 March. This gives taxpayers three extra months to fix errors—making compliance less stressful and reducing avoidable disputes.

Spending Better: Balancing the Books While Building the Future

The government successfully walks the tightrope: reducing the fiscal deficit to 4.3% from 4.4% last year, while raising capital expenditure to a record Rs. 12.2 Lakh Crore. The Revenue Expenditure growth is budgeted at 6.6% in FY27 (BE) over FY26 (RE). The Economic Survey (FY26) projected a real GDP growth in the range of 6.8% to 7.2% for FY26. Nominal GDP growth in FY27 is budgeted at 10%

Particulars	FY25 (A)	FY26 (RE)	FY27 (BE)	FY26 (RE)	FY27 (BE)
	Rs Trillion			Y-o-Y %	
Net Tax Revenue	25.0	26.7	28.7	7.0	7.2
Non-Tax Revenue	5.4	6.7	6.7	24.4	-0.2
Non-Debt Capital Receipts	0.4	0.6	1.2	53.1	84.9
Total Receipts (Non-Debt)	**30.8**	**34.1**	**36.5**	**10.7**	**7.2**
Revenue Expenditure	36.0	38.7	41.3	7.4	6.6
Capital Expenditure	10.5	11.0	12.2	4.2	11.5
Total Expenditure	**46.5**	**49.6**	**53.5**	**6.7**	**7.7**
Nominal GDP	330.7	357.1	393.0	8.0	10.0
	Rs Trillion			**% GDP**	
Fiscal Deficit	**15.7**	**15.6**	**17.0**	**4.4**	**4.3**

Source: Union Budget Documents; Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate.

Summary of budget's impacts (few examples)

BIG WINNERS

"IFSC/Financial Services (20 Yr. Tax Holiday) Data Centres (New Deduction) Mining & Critical Minerals (Duty Cuts) Battery (Input Cost Reduction)"

POSITIVE

"Co-Operating Socities Shipping & Fishing Electronics Manufacturing"

NEUTRAL

"Real Estate Auto (ICE) IT Services"

NEGATIVE

"Broking (STT Hike) Umbrella Imports (Duty Hike)"

HARDEST HIT

Tobacco (Excise hiked to 60%)

Source: Union Budget Documents