

Highlights of Union

BUDGET 2026-27



Union Budget 2026–27

Detailed Policy Announcements and Economic Direction

1. Economic Context and Budget Outlook

Union Budget 2026–27 was presented by Finance Minister Nirmala Sitharaman on 1 February 2026, at a time when India is navigating a complex global environment marked by trade disruptions, geopolitical tensions, and rapid technological shifts. Despite these challenges, the government highlighted that India has maintained macroeconomic stability through fiscal discipline, moderate inflation, and sustained public investment.

The Economic Survey projected that India's economy will continue to grow at a healthy pace, supported by strong domestic demand, infrastructure-led development, and private sector participation. The Budget reflects the government's long-term commitment to the vision of Viksit Bharat, focusing on growth that is stable, inclusive, and resilient.

India's Fiscal Position and Spending Priorities

Aspect	Explanation
Total Government Spending	The total expenditure is estimated at ₹53.5 lakh crore for FY 2026–27, reflecting an expansion in developmental spending while maintaining fiscal discipline.
Capital Expenditure	Capital spending has been increased to ₹12.2 lakh crore to support infrastructure creation, logistics, and long-term economic capacity.
Non-Debt Receipts	Non-debt receipts are projected at ₹36.5 lakh crore, driven mainly by higher tax collections.
Net Tax Receipts	The Centre expects net tax receipts of ₹28.7 lakh crore, indicating improved compliance and economic activity.
Fiscal Deficit	The fiscal deficit has been reduced to 4.3% of GDP, continuing the path of fiscal consolidation.
Debt-to-GDP Ratio	Government debt is estimated to decline to 55.6% of GDP, freeing future resources for priority sectors.

2. Strengthening Manufacturing and Industrial Capacity

The Budget places a strong emphasis on expanding domestic manufacturing across strategic and frontier sectors to reduce import dependence and improve global competitiveness. The Finance Minister announced a series of targeted schemes aimed at building ecosystems rather than isolated incentives.

India's Fiscal Position and Spending Priorities

Initiative	What the Government Announced
Biopharma SHAKTI	A ₹10,000 crore program over five years to develop India as a global manufacturing hub for biologics and biosimilars, supported by new institutes, clinical trial networks, and regulatory strengthening.
India Semiconductor Mission 2.0	An expanded mission to build capabilities in semiconductor equipment, materials, chip design, and supply-chain resilience through industry-led research and training.
Electronic Components Scheme	The outlay has been increased to ₹40,000 crore to support deeper domestic value addition as investment interest has exceeded initial expectations.
Rare Earth Corridors	Dedicated corridors will be set up in mineral-rich states to promote mining, processing, research, and manufacturing of rare earth materials.
Chemical Parks	Three chemical parks will be developed on a cluster-based, plug-and-play model to reduce import dependence.
Container Manufacturing Scheme	A ₹10,000 crore scheme over five years to build globally competitive container manufacturing capacity.
Legacy Industrial Clusters	A new scheme will revive 200 older industrial clusters through infrastructure and technology upgrades.



3. MSMEs as Growth Champions

Recognizing MSMEs as a major source of employment and entrepreneurship, the Budget introduced a structured approach to help them scale, formalise, and compete globally.

MSME Support Measures Explained

Area of Support	Details
Equity Funding	A dedicated ₹10,000 crore SME Growth Fund will provide equity support to high-potential MSMEs to help them scale sustainably.
Support for Micro Enterprises	The Self-Reliant India Fund has been topped up by ₹2,000 crore to maintain access to risk capital for micro enterprises
Improved Liquidity	Reforms to the TReDS platform will make invoice financing faster and cheaper, especially for MSMEs supplying to CPSEs.
Compliance Assistance	Corporate Mitras will be trained professionals who help MSMEs meet compliance requirements at affordable costs.
Government Procurement	Purchases by CPSEs from MSMEs will be mandatorily settled through TReDS to improve payment cycles.

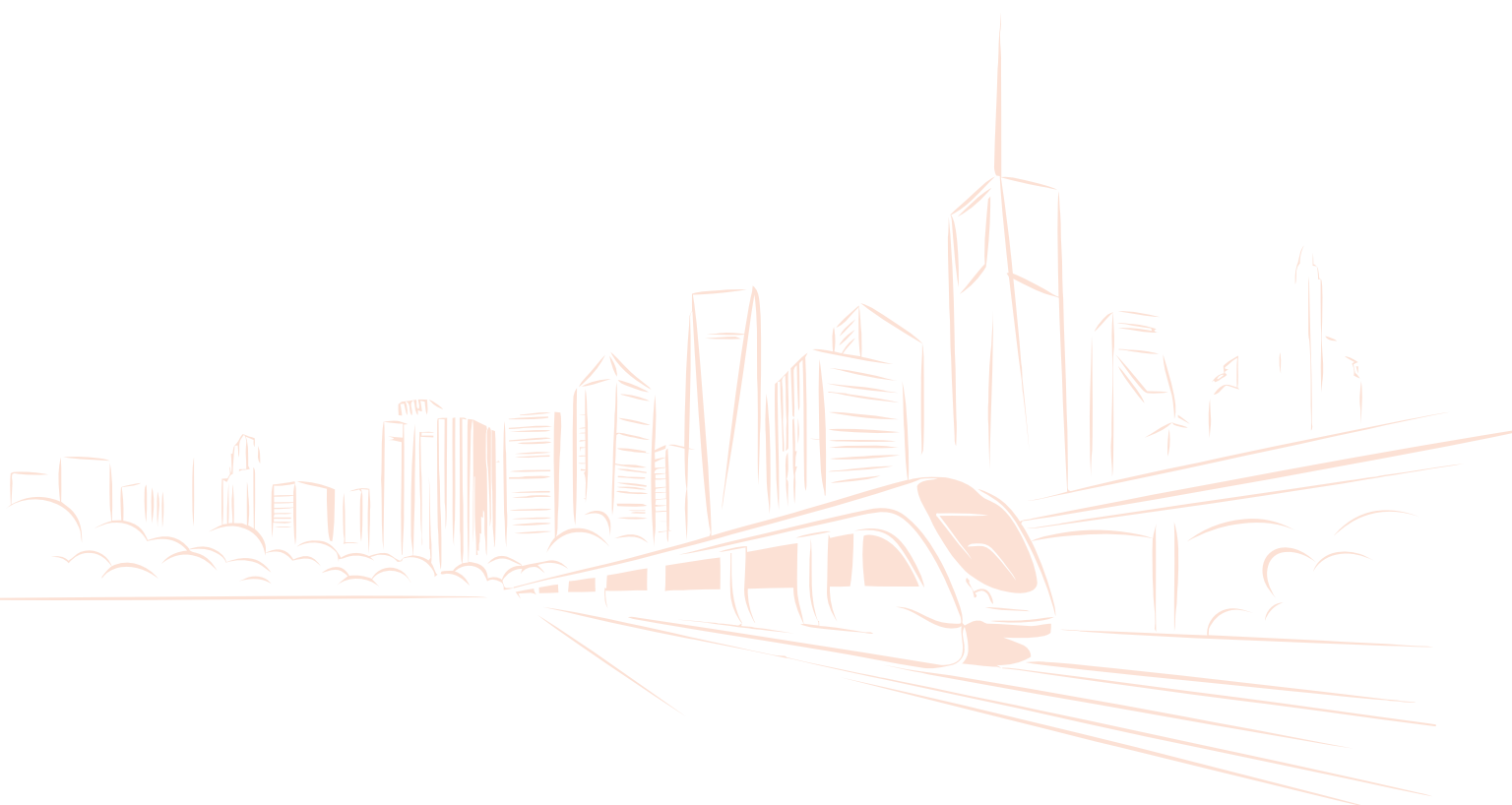


4. Infrastructure and Regional Development

Infrastructure investment continues to be a cornerstone of India's growth strategy. The government aims to use public spending to crowd in private investment while improving connectivity across regions.

India's Fiscal Position and Spending Priorities

Initiative	Explanation
Public Capital Expenditure	Capital spending has been raised to ₹12.2 lakh crore to sustain infrastructure momentum.
Freight Corridors	A new Dedicated Freight Corridor will connect Dankuni in the east to Surat in the west.
Inland Waterways	Twenty new National Waterways will be operationalized over the next five years.
High-Speed Rail	Seven high-speed rail corridors will act as growth connectors between major cities.
City Economic Regions	₹5,000 crore per region over five years will support planned urban economic clusters
Infrastructure Risk Fund	Government debt is estimated to decline to 55.6% of GDP, freeing future resources for priority sectors.



5. Climate Action and Energy Security

The Budget strengthens India's commitment to sustainable growth while ensuring long-term energy security.

Climate and Energy Measures

Measure	Description
Carbon Capture Mission	₹20,000 crore has been allocated over five years to scale CCUS technologies across major industries.
Battery Manufacturing	Customs duty exemptions have been extended to capital goods used in lithium-ion battery manufacturing.
Nuclear Power	Duty exemptions for nuclear power projects have been extended till 2035.
Biogas Blended CNG	Excise duty relief has been provided to encourage cleaner fuel adoption.

6. Education, Skills, and Services Economy

The Budget places renewed emphasis on services, education, and skill development to meet the aspirations of India's youth.

Human Capital Initiatives

Sector	Key Measures
Services Sector	A target has been set to achieve a 10% share in global services exports by 2047
Education to Employment Committee	A high-powered committee will align education, skills, and employment needs.
Healthcare Workforce	One lakh allied health professionals will be added over the next five years.
Care Economy	1.5 lakh caregivers will be trained to support elderly and healthcare services.
Creative Economy	AVGC labs will be set up in schools and colleges to build creative skills.

7. Tax Reforms and Compliance Simplification

The Finance Minister announced wide-ranging tax reforms aimed at reducing litigation, simplifying compliance, and improving trust between taxpayers and authorities.

Direct Tax Reforms Explained

Area	Explanation
New Income Tax Act	The Income Tax Act, 2025 will come into force from 1 April 2026 with simpler rules and forms.
MACT Compensation	Interest awarded by MACT will be fully exempt from income tax
TCS Rationalisation	TCS rates on education, medical, and travel remittances have been reduced.
MAT Reduction	MAT has been reduced to 14% and will be treated as a final tax.
IT Safe Harbour	A unified safe harbour rate of 15.5% applies to IT services.
Return Filing	Extended and staggered timelines aim to reduce last-minute compliance stress.



8. Trade, Customs, and Export Facilitation

Customs reforms focus on reducing costs, improving predictability, and facilitating exports.

Customs and Trade Measures

Area	Details
Critical Minerals	Basic customs duty on key minerals has been reduced to nil.
Medical Imports	Seventeen medicines and drugs for rare diseases have been fully exempted.
Personal Imports	A flat 10% duty will apply to most personal imports.
Courier Exports	The value cap on courier exports has been completely removed.
Trade Facilitation	Trust-based systems and faster clearances have been introduced.

8. Trade, Customs, and Export Facilitation

Stakeholder	How They Benefit
MSMEs	Easier funding, quicker payments, and a lower compliance burden.
Manufacturers	Incentives, infrastructure support, and tax stability.
Youth	More education, skill, and employment opportunities.
Farmers	Support for high-value crops and AI-based advisory tools.
Investors	Trust-based systems and faster clearances have been introduced.
Taxpayers	Simpler rules and reduced litigation.

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