GOVERNMENT OF INDIA

Key Features of Budget 2026-2027

February, 2026

MINISTRY OF FINANCE
BUDGET DIVISION

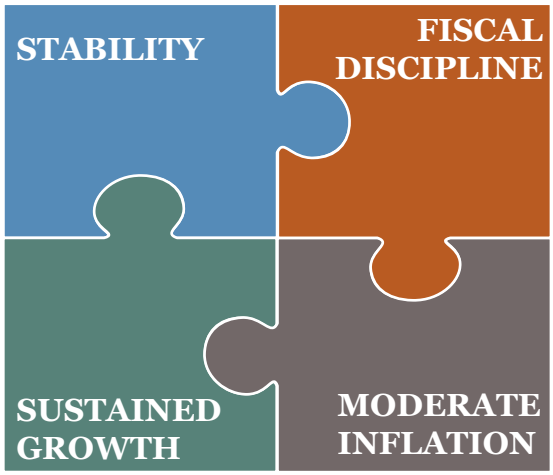
India's economic trajectory

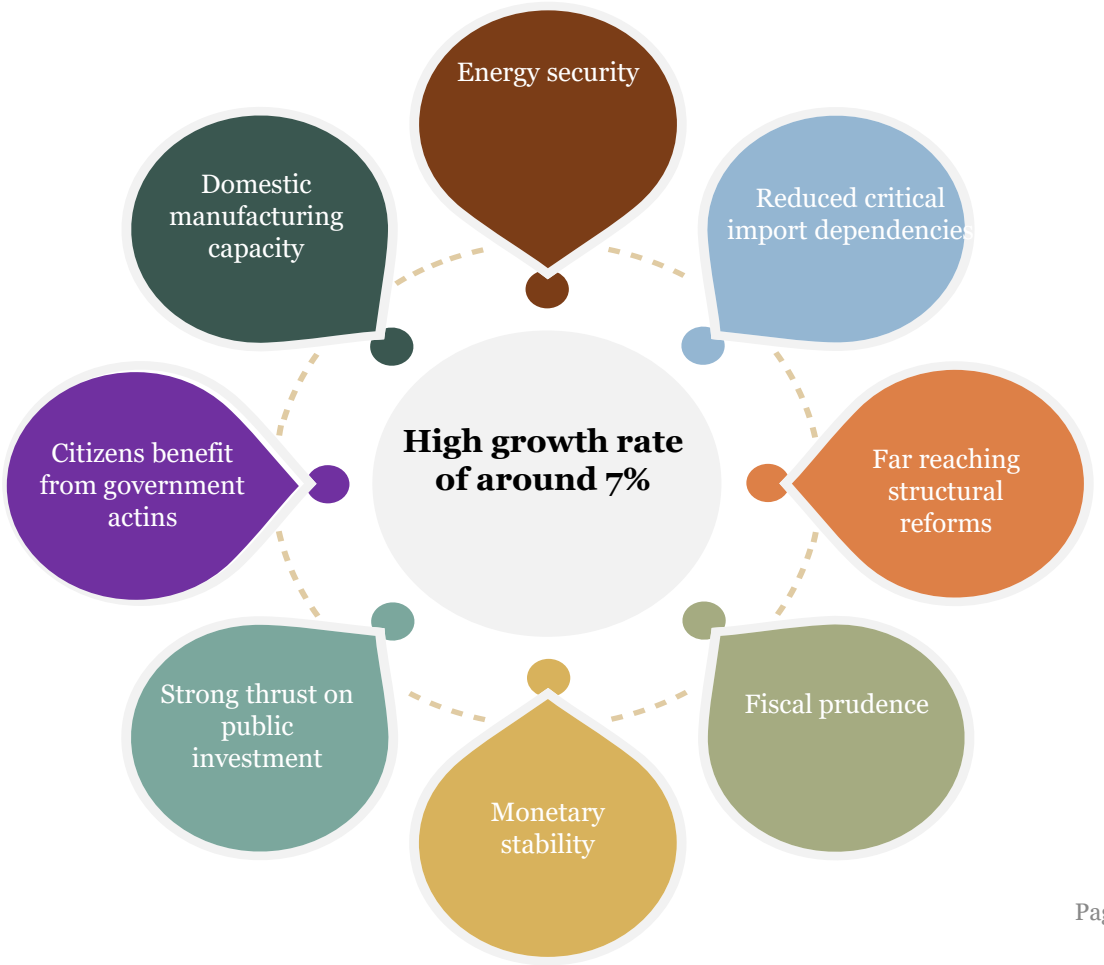
Viksit Bharat, balancing ambition with inclusion

Action Over Ambivalence → Reform Over Rhetoric → People Over Populism

AIM

- Transform aspiration into achievement
- Potential into performance



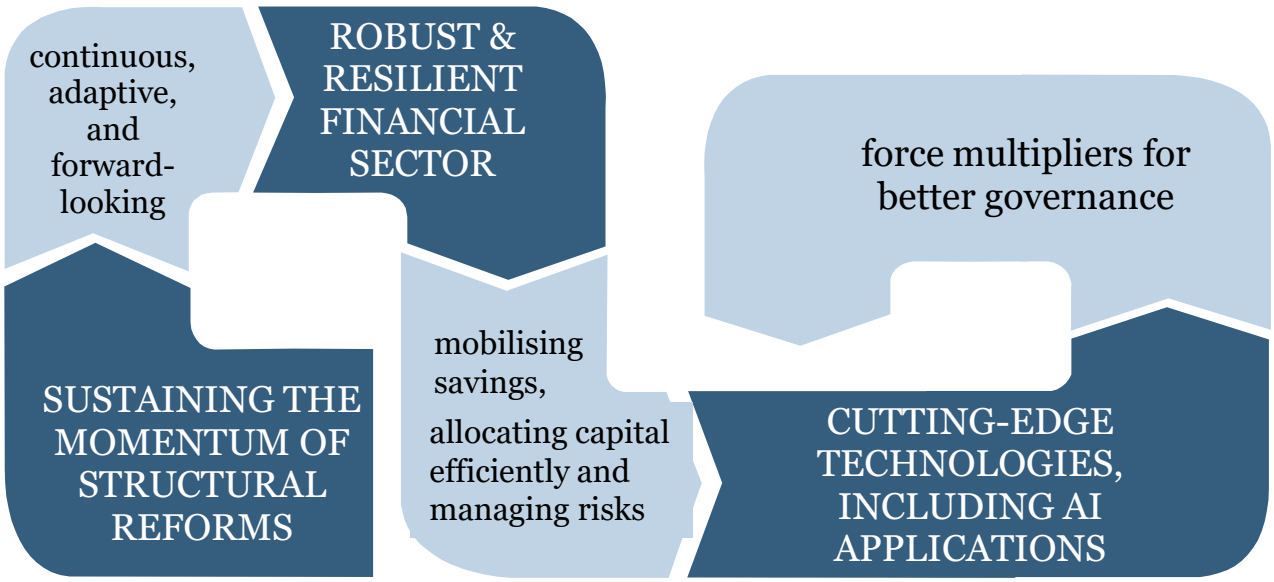


Yuva Shakti-driven Budget

Government's 'Sankalp'

To focus on poor, underprivileged and disadvantaged

First Kartavya	Second Kartavya	Third Kartavya
Accelerate and sustain economic growth	Fulfil aspirations of our people	Vision of Sabka Sath, Sabka Vikas
• Enhancing productivity and competitiveness • Building resilience to volatile global dynamics	• Build people's capacity • Making them strong partners in India's path to prosperity	• Ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation



India's Reform Express

- Government has undertaken **comprehensive economic reforms** towards creating employment, boosting productivity and accelerating growth.
- Over **350 reforms** have been rolled out, including GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders.
- **High Level Committees** have been formed.
- Central Government is working with the State Governments on **deregulation** and reducing compliance requirements.

Pillars of Growth and Development

1. Sustaining Economic Growth

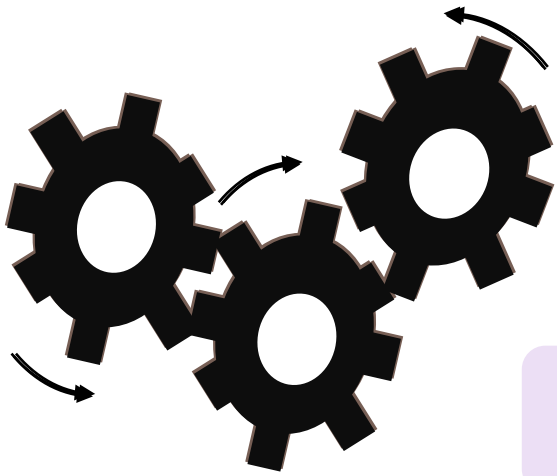
1.1 Manufacturing - Strategic and Frontier Sectors

India Semiconductor Mission (ISM) 2.0

Biopharma *SHAKTI*

Hi-Tech Tool Rooms in CPSEs

Scheme for Rare Earth Permanent Magnets, research, mining, processing and manufacturing



Scheme for Container Manufacturing

3 Dedicated Chemical Parks, enhancing domestic production

Integrated Programme for Textiles

Dedicated initiative for manufacturing of affordable Sports Goods

Electronics Components Manufacturing Scheme

Strengthening domestic manufacturing of high-value and technologically-advanced Construction and Infrastructure Equipment

Scheme to revive 200 legacy industrial clusters

Tax Reforms to boost Manufacturing Sector

Exemption from income tax for five years to non-residents providing capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

Provision of safe harbour to non-residents for component warehousing in a bonded warehouse.

Deferred duty payment window to trusted manufacturers.

Increase the limit for duty-free imports of specified inputs used for processing seafood products for export, from the current 1 per cent to 3 per cent of the FOB value of the previous year's export turnover.

Duty-free imports of specified inputs extended to export of shoe uppers in addition to leather or synthetic footwear.

Extension of time for the export of final product from the existing 6 months to 1 year, for exporters of leather or textile garments, leather and synthetic footwear.

Exemption from basic customs duty on specified parts used in the manufacture of microwave ovens.

Exemption from basic customs duty on components and parts used in aircraft manufacturing.

Exemption from basic customs duty on raw materials imported for manufacture of aircraft parts used in maintenance, repair, or overhaul requirements defence units.

Regular importers with trusted longstanding supply chains to be recognized in the risk system.

Export cargo using electronic sealing to be provided through clearance from the factory premises to the ship.

A special one-time measure to facilitate sale in domestic tariff area at concessional rate of duty by eligible manufacturing units of SEZs.

Three-pronged approach to help MSMEs grow as 'Champions'

Equity Support

- Dedicated ₹10,000 crore **SME Growth Fund.**
- Top up the Self-Reliant India Fund (2021) with ₹2,000 crore.

Professional Support

Government to facilitate Professional Institutions to develop 'Corporate Mitras' especially in Tier-II and Tier-III towns, to help MSMEs meet compliance requirements at affordable costs.

Liquidity Support through TReDS

- Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates.
- Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform.
- Linking GeM with TReDS to encourage cheaper and quicker financing.
- TReDS receivables as asset-backed securities, to develop a secondary market and enhance liquidity and settlement of transactions.

Tax Proposal - Removal of the current value cap of ₹10 lakh per consignment on courier exports.

1.2 Renewing the emphasis on Services Sector

Service Sector

High-Powered 'Education to Employment and Enterprise' Standing Committee to focus on the Services Sector as a core driver of Viksit Bharat.

Health

Upgrade and establishing new institutions for **Allied Health Professionals (AHPs)** in ten selected disciplines.

Care Ecosystem

Developing a variety of **NSQF-aligned programmes** to train 1.5 lakh multiskilled caregivers.

Medical Tourism

Schemes to suppoprt States in **establishing Five Hubs for Medical Value Tourism** in partnership with the private sector**.**

AYUSH

3 new All India Institutes of Ayurveda, upgrading AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem**, & upgrading the WHO Global Traditional Medicine Centre.**

Orange Economy

Setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.

Design

Setting up of a new National Institute of Design through the Challenge route in **eastern region of Inda.**

Sports

Khelo India Mission - integrated talent development pathweay, systematic coaching development, intergration of science & technology and development of sports infrastructure.

Education

5 University Townships in the vicinity of major industrial and logistic corridors.

A girls' hostel in Higher Education STEM institutions in **every district.**

Setting up or upgrading of four **Telescope Infrastructure facilities.**

Tourism

Setting up a National Institute of Hospitality as a bridge between academia, industry and the Government.

Pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites.

National Destination Digital Knowledge Grid to digitally document all places of significance.

To develop ecologically sustainable **Mountain trails, Turtle Trails and Bird watching trails** in select states.

India to host the first ever Global Big Cat Summit.

Develop 15 archeological sites into vibrant, experiential cultural destinations.

Development of Buddhist Circuits in North East Region.

Tax Reforms to boost Services Sector

Clubbing of services under a single category of information technology services with a common safe harbour margin of 15.5%.

Safe harbour threshold for IT services increasing from ₹ 300 crore to ₹2,000 crore.

Approval of safe harbour for IT services by an automated rule-driven process.

Continuation of safe harbour for a period of five years at the company's choice.

Fastracking unilateral APA process for IT services with an aim to conclude it within a period of two years. Can be extended by a further period of six months on the taxpayer's request.

Extension of facility of modified returns for APA-availing entities to its associated entities.

Provision of tax holidays until 2047 to foreign companies providing cloud services to global customers through India-based data centre services. Related Entities providing data center services from India to get a safe-harbour of 15% on cost.

Exemption to global income of non-resident expert for a stay period of 5 years under notified schemes.

Financial Sector

Setting up of **High Level Committee on Banking for Viksit Bharat** to align with India's next growth phase.

Incentive of ₹100 crore for single issuance of municipal bonds of more than ₹1000 crore.

Current Scheme under AMRUT will continue.

Restructuring Power Finance Corporation (PFC) and Rural Electrification Corporation (REC).

Comprehensive Review of the Foreign Exchange Management (FEMA) (Non-debt Instruments) Rules.

Introduction of Market making framework and total return swaps on corporate bonds.

Tax Proposals for Financial Sector

- Raising the STT on Futures from 0.02% to 0.05%.
- STT on options premium and exercise of options to be raised to 0.15% from rate of 0.1% and 0.125%, respectively.

1.3 Increasing farmer's income by enhancing productivity in agricultural and allied sectors

Dedicated programme for Horticulture

Rejuvenate old, low-yielding orchards and expand high-density cultivation of walnuts, almonds and pine nuts.

Animal Husbandry

- Support entrepreneurship in the sector to facilitate job creation in Rural and Peri-urban areas.
- Loan-linked capital subsidy support scheme for establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.

Supporting High Value Agriculture

- Coconut promotion Scheme to increase production and enhance productivity.
- Indian Cashew & Cocoa Programmes.

Dedicated programme for Indian cashew and cocoa

Boost engagement and relevance by aligning training with employee roles.

Fisheries

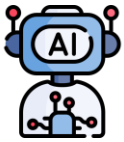
Integrated development of 500 reservoirs and Amrit Sarovars, Strengthening fisheries value chain in coastal areas and enabling market linkages for start-ups and women-led groups together with Fish FPOs.

Sandalwood

Focused cultivation and post-harvest processing.

Bharat-VISTAAR

Integrating AgriStack portals and the ICAR package on agricultural practices with AI systems.



TAX PROPOSALS

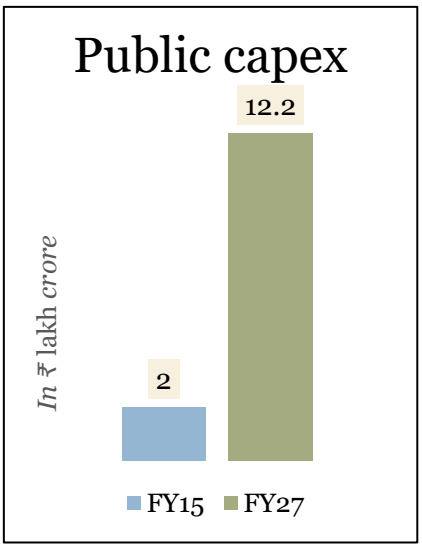
- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty. Treating the landing of such fish on foreign port as export of goods.
- Deduction allowed to primary cooperative society engaged to include supply of cattle feed and cotton seed produced by members.
- Allowing inter-cooperative society dividend income as deduction under the new tax regime to the extent distributed to members.
- Exemption from tax dividend income received by a notified national co-operative federation from investments made in companies up to 31.1.2026 from tax for a period of three years. Exemption to be allowed only for dividends distributed to its member co-operatives.

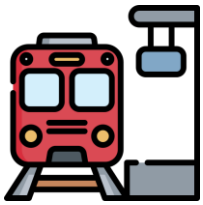
2. Strengthening the Foundations of Growth

2.1 Infrastructure

Several initiatives for large-scale enhancement of public infrastructure - InVITs, REITs, NIIF and NABFID

Continue to focus on developing infrastructure in cities with over 5 lakh population (Tier II and Tier III)

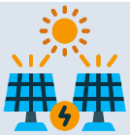




- **Setting up Infrastructure Risk Guarantee Fund** to provide prudently calibrated partial credit guarantees to lenders.
- Recycling of **real estate assets of CPSEs through the setting up of dedicated REITs**.
- Establishment of new **Dedicated Freight Corridors** connecting Dankuni in the East, to Surat in the West.
- Operationalising **20 new National Waterways** connecting mineral rich areas, industrial centres and ports.
- Setting up of ship repair ecosystem catering to inland waterways.
- Launch a **Coastal Cargo Promotion Scheme** to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.
- Launching a **Seaplane VGF Scheme** to indigenise manufacturing.
- ₹2 lakh crore support to states under **SASCI Scheme.**
- **Purvodaya: Development of Integrated East Coast Industrial Corridor.**

2.2 Ensuring long-term energy security and stability

- ❑ Scheme to adopt Carbon Capture Utilization and Storage (CCUS) with an outlay of ₹20,000 crore.
- ❑ Exemption of BCD on import of sodium antimonate for use in manufacture of solar glass.
- ❑ Exemption of BCD on import of capital goods required for the processing of critical minerals in India.



- ❑ Extending exemption of BCD to capital goods used for the manufacture of Lithium-Ion Cells for batteries to be used in battery energy storage systems.
- ❑ Extension of the existing basic customs duty exemption on imports of goods required for Nuclear Power Projects till the year 2035 and expand it for all nuclear plants irrespective of their capacity.
- ❑ Exclusion of entire value of biogas in Central Excise duty payable on biogas blended CNG.

2.3 Urbanisation: City Economic Regions

- ❖ **Amplifying the potential of cities to** deliver the economic power of agglomerations.
- ❖ Focus on Tier II, Tier III cities, and temple-towns.
- ❖ **'Growth Connectors' - 7 High-Speed Rail corridors** between cities - Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, Varanasi-Siliguri - Environmentally sustainable passenger systems.

3. People Centric Development

Building a strong Care Ecosystem, covering geriatric and allied care services. Training of 1.5 lakh multiskilled caregivers.

Self-Help Entrepreneur (SHE) Marts to be set up as community-owned retail outlets within the cluster level federations.

Divyangjan Kaushal Yojana - providing dignified livelihood opportunities through industry-relevant and customized training specific to disability groups.

Divyang Sahara Yojana: Timely access to high-quality assistive devices for all eligible.

Supporting Artificial Limbs Manufacturing Corporation of India (ALIMCO) to scale up production of assistive devices, invest in R&D and AI integration.

Strengthen PM Divyasha Kendras as modern retail-style centres.

Setting up of a NIMHANS-2 & upgrading National Mental Health Institutes in Ranchi and Tezpur.

Establishing Emergency and Trauma Care Centres in district hospitals.

4. Trust based Governance

Enhancement of duty-deferral period for Tier 2 and Tier 3 Authorised Economic Operators (AEO) from 15 to 30 days. Eligible manufacturer-importers to get the same duty deferral facility. Government agencies will be encouraged to leverage AEO accreditation.

Transformation of Customs warehousing framework into a warehouse operator-centric system with self-declarations etc.

Extension of validity period of advance ruling, binding on Customs, from 3 years to 5 years.

The filing of Bill of entry by a trusted importer, and arrival of goods to automatically notify Customs.

Regular importers with trusted longstanding supply chains will be recognized in the risk system, so that the need for verification of their cargo every time can be minimized.

5. Ease of Doing Business and Ease of Living

- ✓ Individual Persons Resident Outside India (PROIs) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS).
- ✓ Interest awarded by the motor accident claim tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.
- ✓ Reduce TCS rate on sale of overseas tour program package from 5% and 20% to 2% without any stipulation of amount.
- ✓ Reduce TCS for pursuing education and for medical purposes under the Liberalized Remittance Scheme (LRS) from 5% to 2%.
- ✓ TDS on Supply of manpower services to be at the rate of either 1% or 2%.
- ✓ Obtaining a lower or nil deduction certificate through rule-based automated process for small taxpayers.
- ✓ Enable depositories to accept Form 15G or Form 15H from taxpayers holding securities in multiple companies.
- ✓ Time available for revising returns extended from 31st December to up to 31st March with the payment of a nominal fee.
- ✓ Individuals with ITR 1 and ITR 2 returns will continue to file till 31st July and non-audit business cases or trusts are proposed to be allowed time till 31st August.
- ✓ TDS on the sale of immovable property by a non-resident to be deducted and deposited through resident buyer's PAN instead of TAN.
- ✓ Introducing a one-time 6-month foreign asset disclosure scheme below a certain size for small taxpayers.
- ✓ Allow taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- ✓ Framework for immunity from penalty and prosecution in the cases of underreporting extended to misreporting.
- ✓ Non-production of books of account and documents and requirement of TDS payment is decriminalised.
- ✓ Immunity from prosecution with retrospective effect from 1.10.2024 for non-disclosure of non-immovable foreign assets with aggregate value less than ₹ 20 lakh.
- ✓ Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.
- ✓ Constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS).
- ✓ Tax buyback for all types of shareholders as Capital Gains. However, promoters will pay an additional buyback tax.
- ✓ Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.
- ✓ MAT is proposed to be made final tax.
- ✓ Exempt BCD on 17 drugs or medicines for cancer patients.
- ✓ Single and interconnected digital window for cargo clearance approvals.
- ✓ Customs Integrated System (CIS) to be rolled out in 2 years.
- ✓ Honest taxpayers willing to settle disputes will now be able close cases by paying an additional amount in lieu of penalty.

6. Fiscal matters

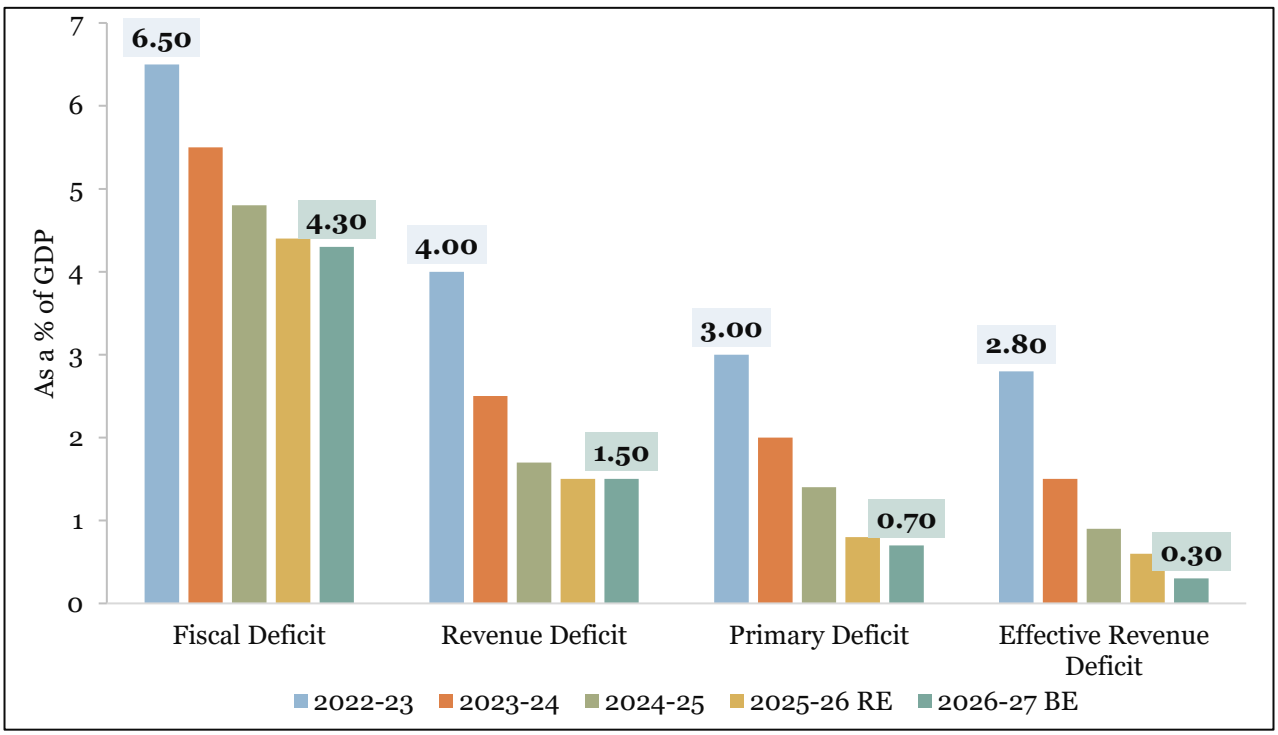
16th Finance Commission

- The Government has accepted the recommendation of the Commission to retain the vertical share of devolution at 41%.
- Provision ₹1.4 lakh crore to the States for the FY 27 as Finance Commission Grants. These include Rural and Urban Local Body and Disaster Management Grants.

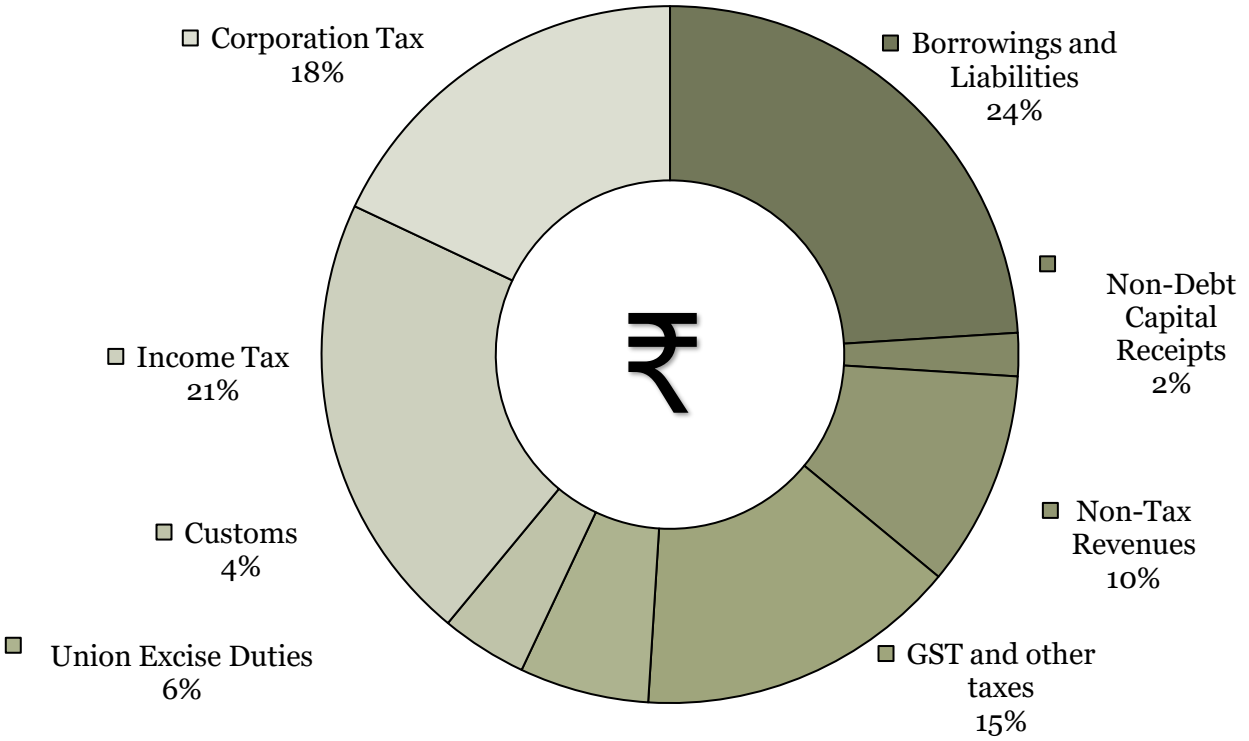
Fiscal Consolidation

- Central Government will target reaching a debt-to-GDP ratio of 50±1 percent by 2030.
- The debt-to-GDP ratio is estimated to be 55.6 percent of GDP in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26.
- In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 percent of GDP. In line with the new fiscal prudence path of debt consolidation, the fiscal deficit in BE 2026-27 is estimated to be 4.3 percent of GDP.

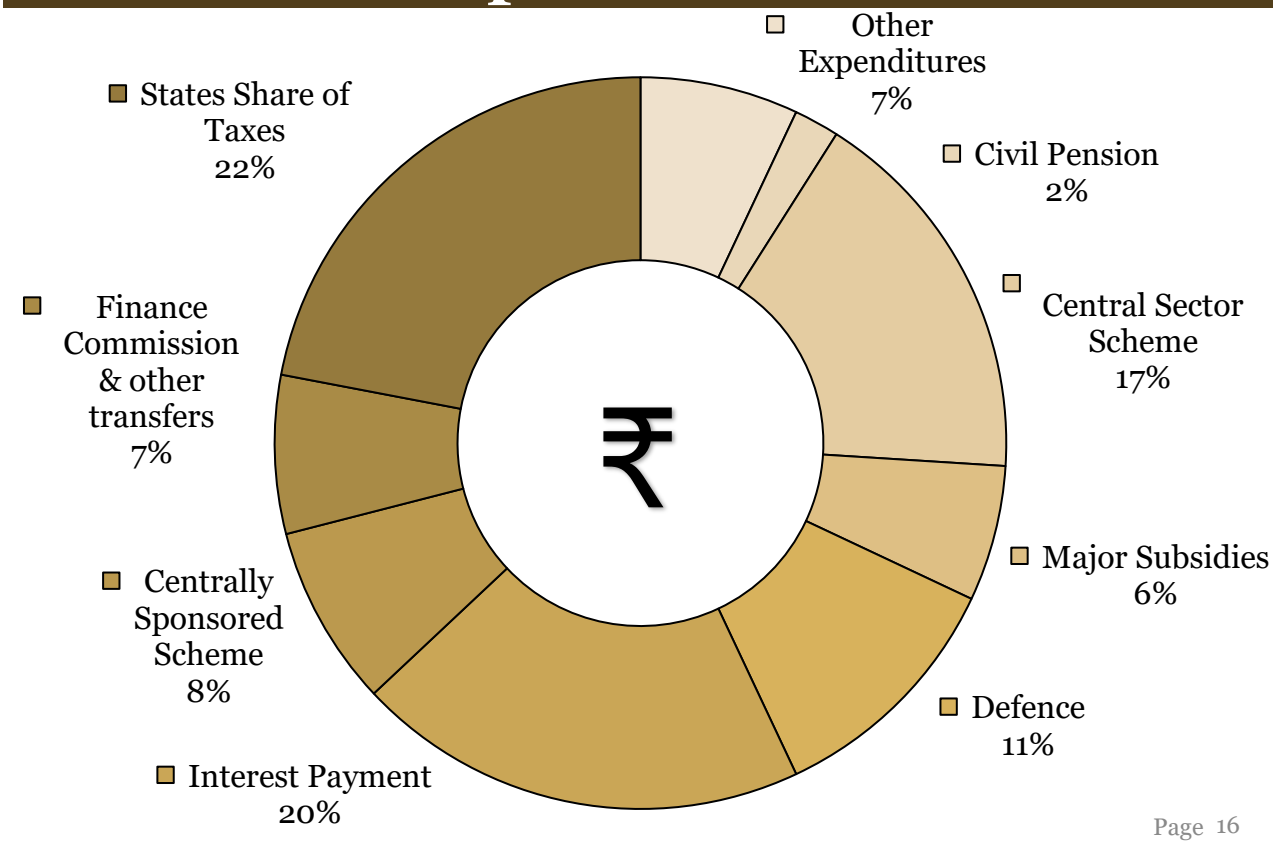
Deficit Trends



Rupee Comes From

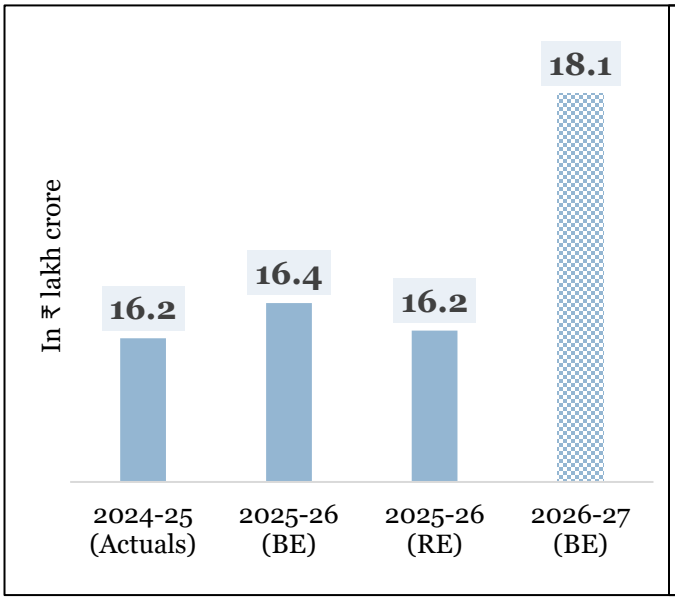


Rupee Goes To

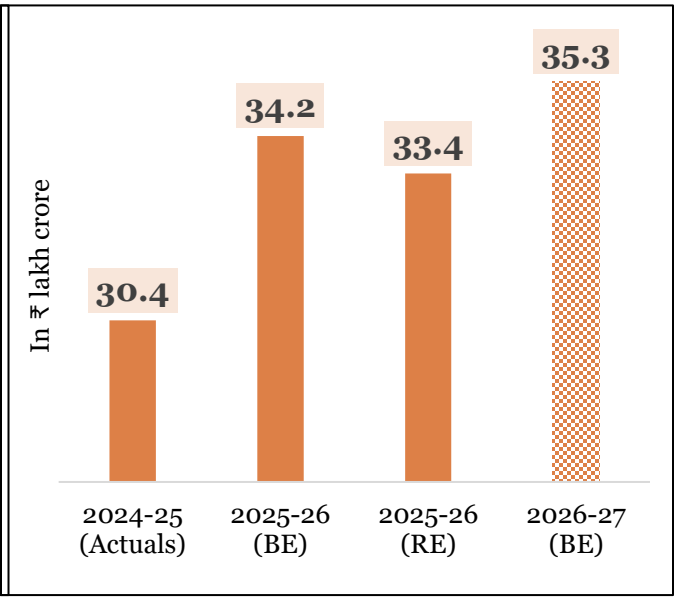


RECEIPTS

Capital Receipts

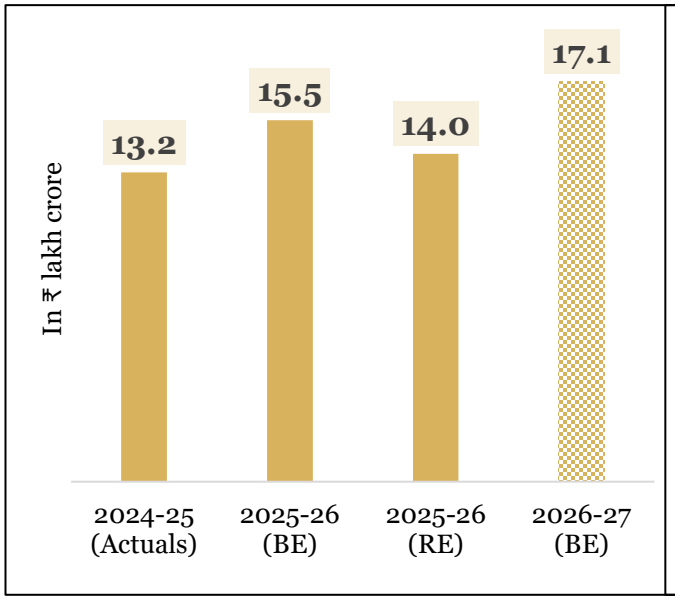


Revenue Receipts

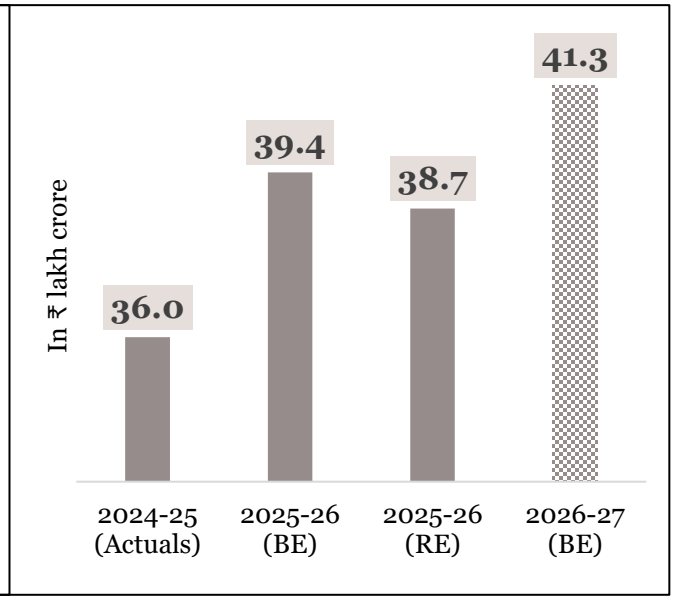


EXPENDITURES

Effective Capital Expenditure

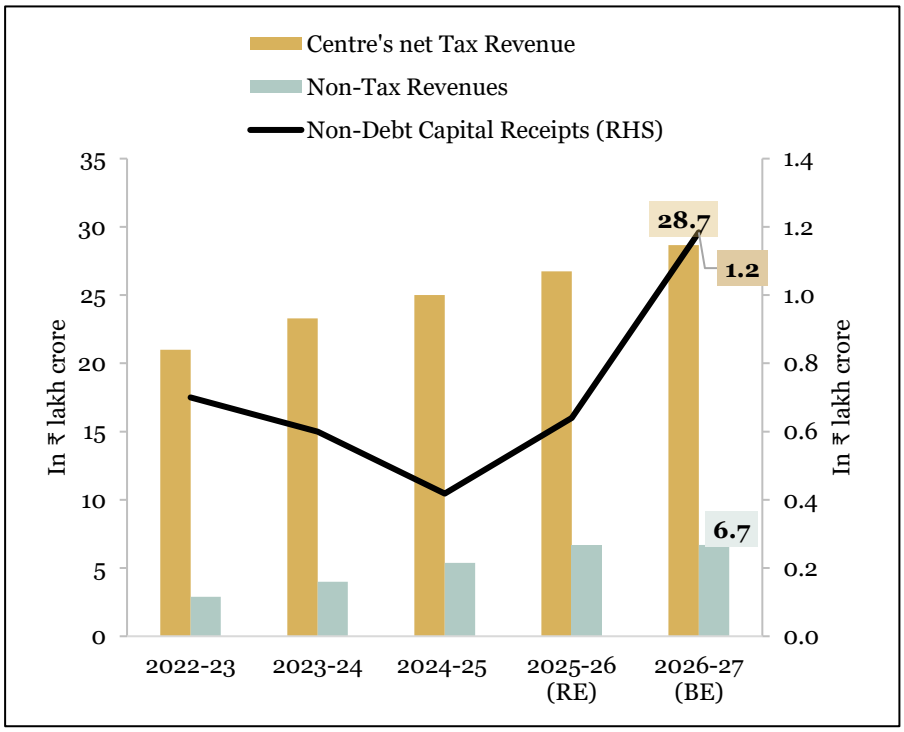


Revenue Expenditure

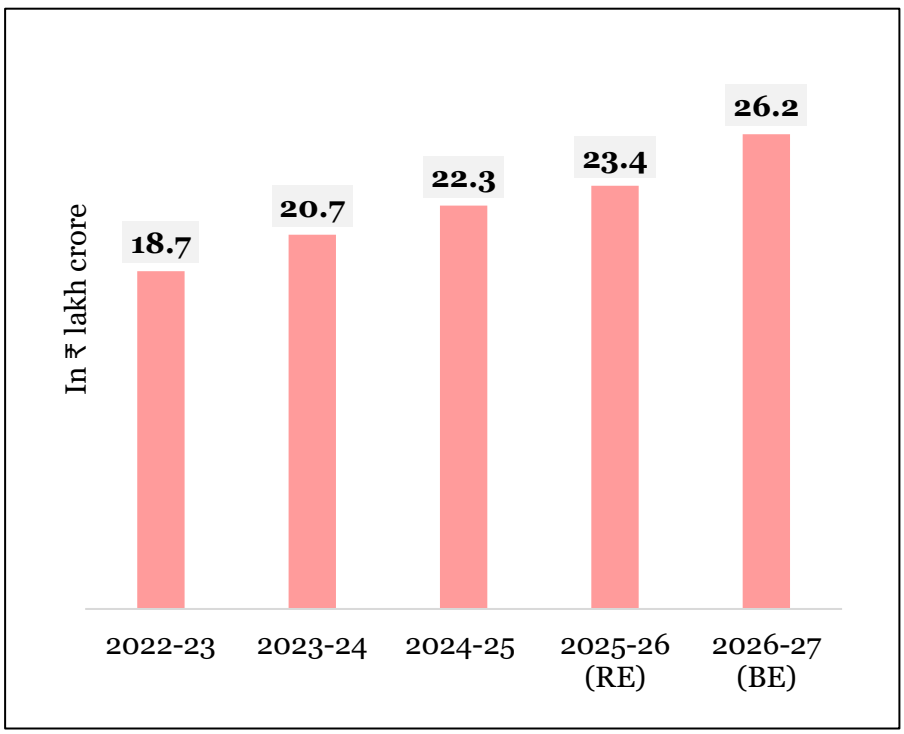


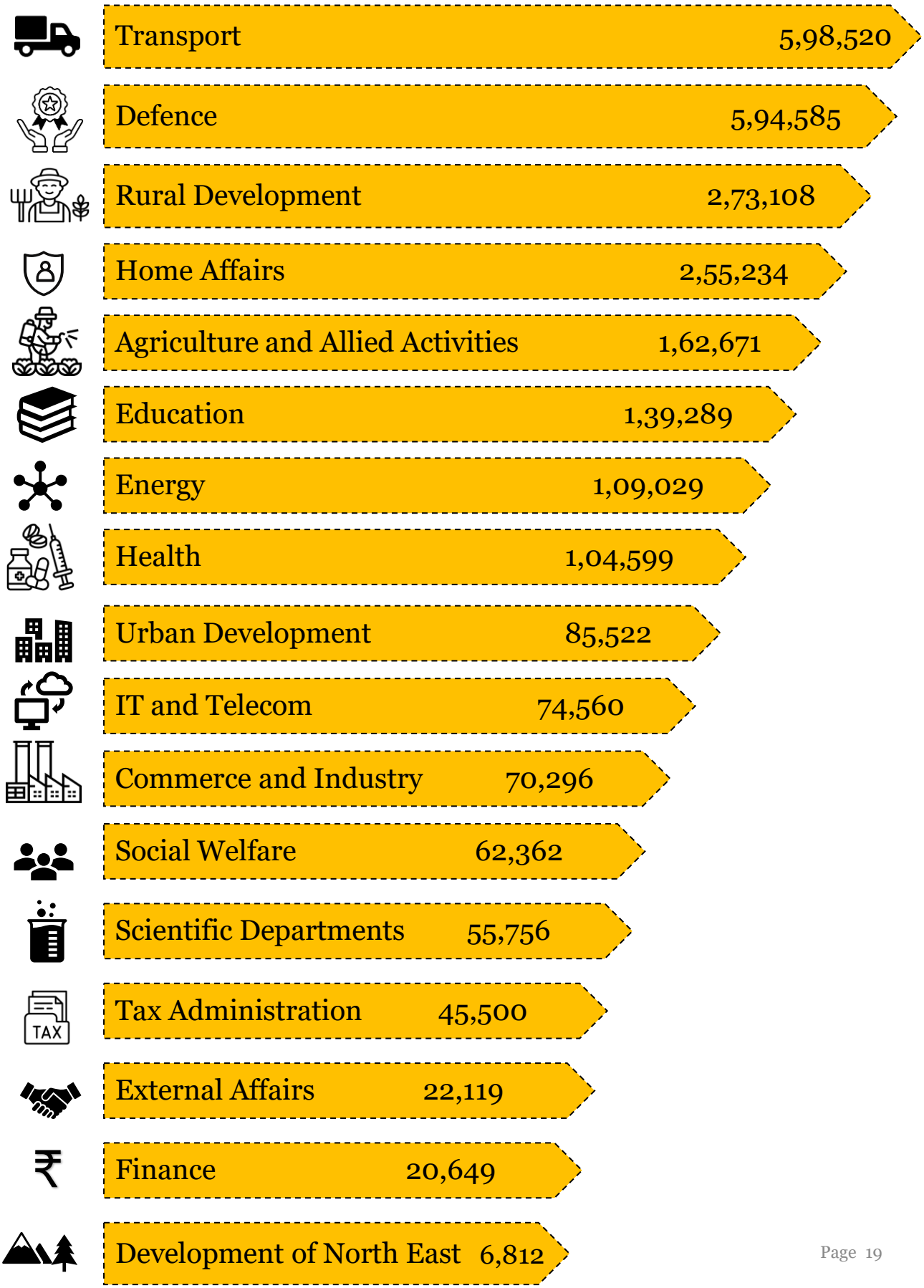
Robust Economic Foundations

Trend in Net Receipt of Centre



Total transfer to States and UTs



Expenditure of Major Items

In ₹ crore