

# UNION BUDGET 2026-27

Strategic Analysis  
& Key Insights

## VIKSIT BHARAT

February 2026

# MSL

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# EXECUTIVE SUMMARY

## THREE KARTAVYAS FRAMEWORK



**Accelerating  
Growth**



**Fulfilling  
Aspirations**



**Inclusive  
Development**

**~7%**

**GDP  
Growth**

**350+**

**Reforms**

**₹12.2**

**Lakh Cr  
Capex**

The 2026–27 Budget has provided a renewed impetus to the Government’s “Viksit Bharat” agenda while providing the framework for increased public spending. It also focuses on long-term goals by providing incentives for manufacturing, innovation, and clean energy to secure India’s environmental and strategic objectives.

#### **STRATEGIC VISION AND KEY THEMES**

**Inclusive and Sustainable Growth:** The Budget’s overarching vision is to create a ‘Viksit Bharat’ where every citizen benefits through structural reforms and a focus on balanced regional inclusive growth, framed around three “kartavyas”—productivity and competitiveness, people as partners in prosperity, and equitable access under Sabka Saath, Sabka Vikas.

**Multi-Domain Reforms:** The Budget targets key domains; manufacturing, services, taxation, energy, health, agriculture, and regulatory reforms, each designed to enhance ease of doing business, streamline processes, and spur private-sector participation.

#### **REGULATORY AND POLICY REFORMS**

**Taxation and Finance:** By aligning fiscal measures with broader economic goals, the government aims to stimulate consumption and investment. The new Income Tax Act, 2025, effective from April 2026, introduces simplification through FAST-DS 2026 for foreign asset disclosure, a reduced MAT rate of 14%, targeted tax reliefs on TCS for overseas tours, education, and medical remittances, and buyback taxation as capital gains. Customs duty rationalization supports domestic manufacturing and clean energy transitions.

**Regulatory Enhancements:** The Budget introduces a robust framework for trust-based governance, including integrated assessment and penalty proceedings, lowered appeal pre-deposit requirements, decriminalization of minor defaults, and conversion of penalties into fees. Liberalization of foreign investment rules and expanded immunity frameworks are expected to bolster investor confidence and reduce litigation.

#### **STIMULATING BUSINESS, INNOVATION, AND CONSUMPTION**

**Innovation and Research:** A strong emphasis on R&D is evident with ₹20,000 crore for private-sector-driven initiatives, scaling of the India AI Mission via GPU subsidy marketplaces, new NIPER institutes, upgraded clinical trial infrastructure, a National Institute of Design in the east, and measures to improve women’s access to STEM. These are expected to catalyze entrepreneurship and technological advancement in deep tech, life sciences, and creative industries.

**Infrastructure and Urban Development:** A comprehensive roadmap to enhance infrastructure includes elevated public capex (₹12.2 lakh crore), City Economic Regions, dedicated freight corridors, expanded national waterways, municipal bond incentives, and REIT-led asset monetization. This aims to bolster connectivity, stimulate consumption, and improve urban living conditions—benefiting consumers and fostering middle-class prosperity.

## SECTOR-SPECIFIC MEASURES

**Manufacturing and Services Reforms:** Key interventions target manufacturing with Biopharma SHAKTI (₹10,000 crore), India Semiconductor Mission 2.0, an enlarged Electronics Components Manufacturing Scheme (₹40,000 crore), and schemes for containers, chemical parks, and construction equipment to deepen capabilities; labour-intensive sectors gain from an Integrated Textile Programme, cluster modernization, Samarth 2.0 skilling, and Mega Textile Parks; MSMEs are supported via a ₹10,000 crore SME Growth Fund, enhanced credit guarantees, collateral-free machinery, and mandatory TReDS adoption; tourism benefits from a National Destination Digital Knowledge Grid, eco-sustainable trails, guide upskilling, and a National Institute of Hospitality.

**Agriculture, Sustainability, and Financial Modernization:** Agriculture emphasizes technology-led productivity via the Bharat Vistar AI platform, high-value crop programs, integrated fisheries, animal-husbandry entrepreneurship, and women-led SHE Marts; sustainability integrates fiscal incentives for Battery Energy Storage Systems, lithium-ion exemptions, nuclear extensions, and critical minerals tax breaks; financial-sector updates include a High-Level Committee on Banking for Viksit Bharat, NBFC restructuring, corporate-bond deepening, and a FEMA review.

## SOCIAL WELFARE AND CONSUMER BENEFITS

Initiatives in health, such as Biopharma SHAKTI for domestic capacity, customs relief for cancer and rare-disease drugs, five Regional Medical Tourism Hubs, expanded AYUSH infrastructure, and allied-health training, reduce out-of-pocket expenses. Employment-led growth is supported by scalable skilling, AVGC Content Creator Labs in 15,000 schools, an Indian Institute of Creative Technologies in Mumbai, expanded sports missions, and semiconductor workforce programs. Support schemes for gig workers and street vendors will ensure sustainable growth of the booming gig economy.

The 2026–27 Budget presents a comprehensive roadmap. It integrates regulatory reforms, progressive policies, and targeted fiscal measures. These initiatives aim to foster innovation, boost business, and empower consumers, especially the middle class. In doing so, the Budget lays the foundation for a resilient and globally competitive India. It addresses critical sectors such as manufacturing, services, energy, infrastructure, agriculture, and healthcare. In doing so, it strikes a strategic balance between growth and inclusivity. It also balances innovation with sustainability and pairs regulatory oversight with ease of doing business. This Budget not only meets the diverse needs of regulators, businesses, and consumers but also sets the stage for a transformative era aimed at stimulating consumption, attracting private investments, and driving sustainable development.

# EXPERT SPEAK

## Industry Leaders React



### Arun Goyal, IAS (Retd.)

Former Secretary,  
Cabinet Secretariat

The Union Budget 2026–27 sends a strong and credible signal on India's long-term clean energy and decarbonization priorities.

The focus on rare earth corridors and critical mineral processing addresses a foundational vulnerability in the renewable and advanced manufacturing value chain. The ₹20,000 crore commitment towards CCUS, alongside incentives for battery energy storage and bioenergy, reflects a pragmatic approach to balancing growth with climate responsibility.

Extending customs duty exemptions for nuclear power and energy storage manufacturing will strengthen energy security and grid resilience. Collectively, these measures enhance investor confidence, encourage private participation across upstream and downstream segments, and position India as a competitive hub for clean energy technologies in the coming decade.



### Dr. Arpita Mukherjee

Professor, ICRIER

Under a volatile global trade situation, the Budget comes with a promise of stability and sustainable high growth. Enhancing productivity, competitiveness, building resilient supply chains, digital inclusion, ensuring ease of doing business, controlling fiscal deficit, and saving mobilization are some of the objectives of this Budget.

Some of our recommendations on trade facilitation have been incorporated in the Budget. The single and interconnected digital window for cargo clearance across different government agencies, if implemented, will save cost and time.

The removal of the value limit of ₹10 lakh per consignment on courier exports, will benefit many exporters. With India signing multiple FTAs, allowing manufacturing units in Indian SEZs to sell to the Domestic Tariff Area (DTA) at concessional rates of duty, subject to certain conditions, is a welcoming step. Ideally, units in SEZs should get the best FTA duty rates. The initiatives proposed on trade facilitation are WTO plus and would help India to meet commitments under its trade agreements.

# EXPERT SPEAK

## Industry Leaders React



### Alkesh Kumar Sharma, IAS (Retd.)

Former Secretary, MeitY,  
Government of India

The Union Budget 2026-27 is a game-changer for India's tech sector. Launching India Semiconductor Mission 2.0 to accelerate semiconductor ecosystem development, ₹40,000 crore boosts for electronics components manufacturing will enhance India's competitiveness.

Focus on Rare Earth Magnets and critical minerals will create a supply value chain and lesser dependence on imports.

Complementing this, Government is simplifying IT services into one category with 15.5% safe harbour margin, lifting thresholds to ₹2,000 crore, automating 5-year approvals, and speeding up APAs. This will ease operations, spark innovation, and fuel growth in software and R&D.



### Sanjay Sahay, IPS (Retd.)

Former ADGP,  
Karnataka

As an avid tech enthusiast, practitioner and commentator, I view the Union Budget 2025-26 as a pragmatic masterstroke that balances ambition with execution in tech, AI, semiconductors, and critical minerals. The ₹20,000 crore R&D push, Deep Tech Fund of Funds, scaled IndiaAI Mission, and 10,000 PM Research Fellowships signal robust consolidation of innovation talent pipelines.

PLI outlays has been doubled to ₹7,000 crore for semiconductors and ₹9,000 crore for electronics propelled domestic manufacturing self-reliance. AVGC-XR labs in educational institutions smartly skill youth for a \$26 billion creative economy, and rare earth corridors in coastal states fortify supply chains for EVs and defence amid geopolitical risks.

Yet, success hinges on swift private uptake, regulatory agility, and bridging rural digital gaps via ₹22,000 crore BharatNet—transforming India from a global consumer to a tech exporter.

### **Manufacturing:**

**Dr Anish Shah, Group CEO & MD, Mahindra Group:** The emphasis on frontier and strategic manufacturing sectors, including the launch of enhanced schemes such as Biopharma Shakti and the Semiconductor Mission (ISM 2.0), reflects a clear commitment to building global-scale manufacturing capabilities. Strengthening domestic value chains and reducing critical import dependencies will be key to India's future industrial leadership.

### **Health and Social Welfare:**

**Dr. Seema Pai, President, Indian Society for Clinical Research (ISCR):** Biopharma Shakti addresses gaps in clinical trials, skilled manpower and globally aligned regulation, enhancing the quality, speed and ethical conduct of clinical research in India.

**Satish Reddy, Chairman, Dr. Reddy's Laboratories Limited:** Biopharma Shakti, expanded clinical trials and a stronger CDSCO framework can move India from volume to value leadership while ensuring affordable, high-quality medicines for patients globally.

### **Education, Skilling & Employment:**

**Arti Dawar, CEO, Shiv Nadar School:** The Budget reinforces a Yuva Shakti-driven vision through AVGC labs, skilling pathways and AI-led capacity building. Aligning education with emerging technologies strengthens future-ready and globally competitive learning outcomes.

**Vishwanathan Iyer, Senior Associate Professor, Great Lakes, Chennai:** Budget 2026 marks a shift from access to employability, recognising skills mismatch as India's core education challenge. Workforce targets in allied health and caregiving signal a move toward outcome-driven policy, with execution as the key test.

### **Direct and Indirect Taxation:**

**Himanshu Sinha, Partner - Tax Practice, Trilegal:** Procedural reforms relating to tax return filing, assessment processes, and the decriminalisation of minor offences are targeted to reduce litigation and foster a non-adversarial tax regime.

**Archit Gupta, Founder & CEO, ClearTax:** Allowing resident buyers to deduct TDS without needing a TAN removes major friction in real estate transactions and should help speed up secondary market sales. Second, cutting the TCS rate from 5% to 2% on overseas education, medical treatment, and travel directly helps family cash flow.

### **Ease of Doing Business:**

**Dr. Niranjan Hiranandani, Founder and Chairman, Hiranandani Group:** Budget 2026-27 lays the concrete roadmap for Aatmanirbhar Bharat New Growth Economies. Equally important is the thrust on ease of compliance. The new Income Tax Act, rationalisation of TDS and TCS provisions, de-criminalisation of minor offences and integration of assessment and penalty proceedings mark a decisive shift towards a trust-based tax regime. Measures such as automated safe harbour norms, fast-tracked APAs and reduced MAT will improve certainty for corporate India and global investors alike.

## **Banking and Financial Sector:**

**Varun Gupta, Chief Executive Officer at Groww Mutual Fund:** The announcement of a high-level committee on banking and the proposed restructuring of PFC and REC reflect a clear intent to future-proof India's financial system for a Viksit Bharat. Strengthening public sector NBFCs through better scale, governance and technology adoption is critical to ensuring that long-term capital reaches infrastructure and priority sectors efficiently, without compromising on financial stability or consumer protection.

## **Agriculture & Rural Development:**

**Nishant Kanodia, Chairman, Matix Fertilisers & Chemicals Ltd.:** The Finance Minister's announcement of 'Bharat Vistaar'—an AI-enabled advisory system—alongside a substantial ₹1.52 lakh crore allocation, bridges the gap between tech and the soil. We often view agriculture as traditional and tech as modern, but this Budget proves they are symbiotic. The focused push on high-value crops like coconut and cocoa will stimulate farm incomes, while the strategic recalibration of customs duties encourages the domestic value addition we have long championed under 'Make in India'.

## **Power & Energy (Sustainability, EV, Renewables):**

**Anujesh Dwivedi, Partner, Deloitte India:** The proposed restructuring of PFC and REC is aimed at readying them for the larger electricity-sector investments needed to support GDP growth alongside transition goals. BCD exemptions reinforce the focus on scaling domestic clean-tech equipment. Extending BCD exemption on goods required for nuclear power plants until 2035 should improve near-to-medium-term project competitiveness.

## **Research and Innovation**

**G. S. Madhusudhan, CEO and Co-founder at Peak XV-backed InCore Semiconductors:** The amount of support is good, but the key is where it is spent. We need to establish a process development entity and funding is needed for that. Funding and incentives are needed for semiconductor equipment companies. But we need more smaller, older node and speciality fabs, and using funds for just one or two mega fabs will not work for us.

## **Urban Development, Infrastructure & Logistics**

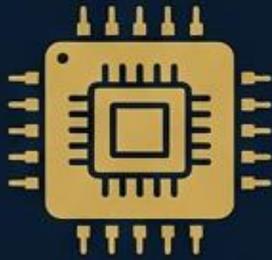
**Saurabh Agarwal, tax partner at EY India:** Budget 2026 shifts India's focus toward becoming a global manufacturing powerhouse. Schemes like ISM 2.0, addition of budget in ECMS, biopharma, heavy construction machinery and VGF for domestically manufactured seaplanes create vital demand. Meanwhile, rejuvenating 200 industrial clusters solves critical bottlenecks for MSMEs. By securing upstream supply chains in chemicals and rare earths and developing clusters/ corridors for these sectors, the government is looking to build 'strategic indispensability.' This gives investors the policy certainty needed to scale high-precision manufacturing. It is a bold move to ensure long-term global competitiveness and resilient growth.

# BUDGET AT A GLANCE



**₹12.2 Lakh Cr**

Public Capital Expenditure



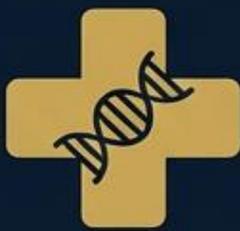
**₹40,000 Cr**

Electronics  
Manufacturing



**₹20,000 Cr**

CCUS Investment



**₹10,000 Cr**

Biopharma SHAKTI



**4.3%**

Fiscal Deficit Target

### **Reform-Led Growth Anchored in “3 Kartavya”**

The Union Budget 2026–27 is framed around three clear duties: accelerating growth, fulfilling aspirations, and inclusive development. The emphasis is on sustaining a ~7% growth trajectory through productivity-enhancing reforms, resilience against global volatility, and deeper integration with global markets. Over 350 reforms announced since 2025 are consolidated under the “Reform Express,” signalling continuity rather than disruption.

### **Manufacturing Push Across Strategic and Legacy Sectors**

Manufacturing is positioned as a core growth engine through targeted interventions in seven strategic sectors, including biopharma, semiconductors, electronics components, rare earths, chemicals, capital goods, and textiles. Flagship initiatives such as **Biopharma SHAKTI**, **ISM 2.0**, expansion of electronics manufacturing incentives, and rare earth corridors aim to reduce import dependence and build globally competitive domestic capabilities. Parallel efforts to rejuvenate 200 legacy industrial clusters.

### **MSMEs as “Champion Enterprises”**

The Budget deepens its MSME strategy by moving beyond credit access to scale and competitiveness. A ₹10,000 crore SME Growth Fund will support high-potential firms, while liquidity is enhanced through mandatory TReDS adoption by CPSEs, credit guarantees for invoice discounting, and securitisation of receivables. Introduction of “Corporate Mitras” aims to lower compliance costs for MSMEs, particularly in Tier II and III cities, reinforcing ease of doing business at the grassroots.

### **Infrastructure-Led Crowding-in of Private Investment**

Public capital expenditure rises to ₹12.2 lakh crore in FY27, sustaining infrastructure as a counter-cyclical growth lever. New instruments such as an Infrastructure Risk Guarantee Fund and expanded use of REITs for CPSE asset monetisation aim to crowd in private capital. Connectivity initiatives underscore the focus on logistics efficiency, regional integration, and tourism-led growth.

### **Energy Security and Climate-Aligned Growth**

The Budget integrates energy security with climate commitments through investments in nuclear energy, CCUS technologies, and clean energy supply chains. A ₹20,000 crore outlay for CCUS and continued customs duty exemptions for nuclear and clean-tech equipment indicate a pragmatic transition strategy.

### **City Economic Regions and Tier II–III Urbanisation**

A shift from city-centric to region-centric planning is evident through the creation of City Economic Regions (CERs), backed by ₹5,000 crore per region over five years. The focus on Tier II and III cities reflects recognition of emerging growth centres, agglomeration benefits, and the need for decentralised urban-led development.

## **Services, Skills and Employment Pathways**

Recognising services as the primary absorber of India's demographic dividend, the Budget proposes a High-Powered "Education to Employment and Enterprise" Committee. Large-scale skilling initiatives across healthcare, caregiving, AVGC, design, tourism, sports, and hospitality aim to align education with employability, while explicitly factoring in the impact of AI and emerging technologies on jobs.

## **Agriculture, Rural Enterprise and Farmer Incomes**

The Budget shifts from subsistence support to value creation in agriculture through high-value crops, fisheries, livestock entrepreneurship, and AI-enabled advisory via **Bharat-VISTAAR**. Dedicated programmes for coconut, cocoa, cashew, sandalwood, and nuts seek to enhance productivity, branding, and exports, while SHE-Marts aim to transition women from credit-led livelihoods to enterprise ownership.

## **Inclusion-Focused Social Infrastructure**

Targeted interventions for Divyangjan, mental health, trauma care, and the North-East reinforce the inclusivity pillar. Expansion of assistive device manufacturing, customised skilling, new mental health institutions, and focused regional corridors under the Purvodaya framework.

## **Fiscal Prudence with Reform Credibility**

Fiscal consolidation remains intact, with the fiscal deficit declining to 4.3% of GDP and a clear debt-to-GDP glide path. Acceptance of the 16th Finance Commission's recommendations and continued devolution to states reinforce cooperative federalism while preserving macroeconomic stability.

## **Important Regulations and Committees to Watch**

**High Level Committee on Banking for Viksit Bharat** to review the banking sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion and consumer protection.

**High-Powered Education to Employment and Enterprise Standing Committee** to recommend reforms for the services sector, assess AI's impact on jobs and skills, and guide India's services export ambition.

**Comprehensive review of FEMA (Non-debt Instruments) Rules** to create a more contemporary, user-friendly framework for foreign investments aligned with evolving economic priorities.

**Customs trust-based reforms** including expanded duty deferral for Authorised Economic Operators (AEOs), longer validity of advance rulings, and recognition of trusted importers for faster clearances.

**Customs Integrated System (CIS)** rollout over the next two years as a unified platform to modernise customs processes and reduce compliance burdens.

# 01

## HEALTHCARE & SOCIAL WELFARE



**Biopharma  
SHAKTI  
₹10,000 Cr**

flagship healthcare  
investment



**AYUSH  
Expansion**

traditional  
medicine



**Cancer  
Drug Relief**

customs  
exemptions



**Medical  
Tourism  
Hubs**

5 regional hubs

## HEALTHCARE AND SOCIAL WELFARE

The Union Budget positions healthcare as a core social priority and a strategic growth sector. Responding to India's increasing Non-communicable disease (NCD) burden, it shifts focus towards affordable chronic care, domestic biopharmaceutical manufacturing, and system-wide capacity strengthening. By integrating healthcare delivery with research, education, and medical tourism, the Budget seeks to balance equity with innovation, while advancing India's ambition to emerge as a global hub for advanced and affordable healthcare.

### KEY HIGHLIGHTS:

**Shift towards Chronic and Lifestyle Care:** The Budget places strong emphasis on affordable and sustained treatment for non-communicable diseases such as diabetes, cancer, and autoimmune disorders, reflecting India's changing disease burden and rising long-term healthcare costs.

**Strengthening Biopharmaceutical Manufacturing:** Focus on building domestic capacity for biologics and biosimilars to reduce import dependence, improve access to advanced therapies, and position India as a global biopharma manufacturing hub.

**Targeted Cost Relief for Critical Care:** Significant customs duty exemptions on cancer and rare disease medicines, alongside reduced import duties on drugs for personal use, are expected to lower treatment costs and out-of-pocket expenditure for patients.

**Expansion of AYUSH and Traditional Medicine Systems:** Investments in infrastructure, testing laboratories, and global certification aim to strengthen traditional medicine systems while promoting evidence-based research and international acceptance.

**Medical Tourism as a Growth Lever:** The Budget advances a structured approach to medical value tourism by integrating healthcare delivery with education, research, diagnostics, rehabilitation, and post-care services through regional hubs.

**Institutional and Regulatory Capacity Building:** Strengthening of clinical research infrastructure and regulatory oversight through enhanced institutional capacity is aimed at aligning India's healthcare ecosystem with global standards.

### FLAGSHIP SCHEMES/ANNOUNCEMENTS:

**Biopharma SHAKTI:** Launch of Biopharma SHAKTI (BioPharma Strategy for Health Advancement through Knowledge, Technology and Innovation) with an outlay of ₹10,000 crore over five years.

**AYUSH & Traditional Medicine:** Setting up of three new All India Institutes of Ayurveda.

**Upgradation of AYUSH pharmacies** and drug testing laboratories to global certification standards.

**Expansion of the WHO Global Traditional Medicine Centre, Jamnagar,** to strengthen evidence-based research and international engagement.

**Relief for Cancer and Rare Disease Patients:** Customs duty exemption for 17 cancer drugs and seven rare disease medicines. Reduction of import duty on drugs for personal use from 20% to 10%, lowering out-of-pocket expenditure.

# 02

# EDUCATION, SKILLING & EMPLOYMENT



## Mega Textile Parks

infrastructure  
& jobs



## Samarth 2.0 Skilling

workforce  
development



## AVGC Content Labs

digital media  
& arts



## 15,000 Schools | 500 Colleges

educational  
infrastructure

## EDUCATION, SKILLING & EMPLOYMENT

The Union Budget places education and skilling at the centre of an employment-led growth strategy, focusing on building scalable and future-ready human capital. By aligning education infrastructure with sector-specific skilling and regional development, the Budget seeks to empower India's demographic dividend while preparing the workforce for technology-driven transformation. A dual emphasis on labour-intensive industries and emerging high-growth sectors reflects an integrated approach to inclusive employment generation and long-term productivity enhancement.

### KEY HIGHLIGHTS:

**Textile and Artisan Employment Push:** Large-scale modernisation of textile clusters and targeted skilling initiatives aimed at employment generation for weavers, artisans, and rural workers.

**Creative Economy Expansion:** Focused investments in animation, gaming, VFX, and digital content to build skills aligned with India's growing creative and content economy.

**Industry-Linked Higher Education:** Strengthening of higher education ecosystems through university townships and closer industry-academia integration.

**Future-Oriented Skill Development:** Emphasis on sports, semiconductors, and advanced technologies as employment multipliers for youth.

**Reduced Cost of Education & Medical Expenses:** Rationalisation of TCS on education, medical remittances, and overseas tour packages to ease financial burden on Indian families.

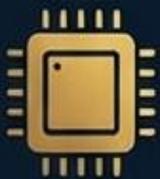
### FLAGSHIP SCHEMES/ANNOUNCEMENTS:

**Textile, Handloom & Artisan Employment:** Proposal to set up Mega Textile Parks through the challenge route to modernise textile clusters and enhance export competitiveness. Launch of a Textile Expansion and Employment Scheme focused on cluster-level modernisation and job creation.

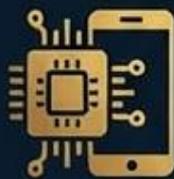
**Samarth 2.0:** To strengthen skilling and workforce readiness in the textile sector.

# 03

## MANUFACTURING, TRADE & SERVICES



**India  
Semiconductor  
Mission 2.0**



**₹40,000 Cr  
Electronics**



**₹10,000 Cr  
SME Growth  
Fund**



**200  
Industrial  
Clusters**

## MANUFACTURING, TRADE & SERVICES

The Budget advances a comprehensive growth framework by strengthening strategic manufacturing, simplifying trade processes, and scaling high-value services. Through targeted investments, MSME enablement, customs reforms, and service-sector capacity building, it aims to enhance global competitiveness, deepen supply chains, and position India as a leading manufacturing and services hub on the path to Viksit Bharat.

### KEY HIGHLIGHTS:

**Strategic Manufacturing Scale-up:** Targeted support across seven strategic sectors, including biopharma, semiconductors, electronics components, chemicals, container manufacturing, construction equipment, and industrial tooling.

**Textiles & Traditional Industries:** Integrated Textile Programme covering fibre development, cluster modernisation, sustainable textiles, skilling (Samarth 2.0), and Mega Textile Parks through the challenge route.

**Champion MSMEs:** ₹10,000 crore SME Growth Fund, ₹2,000 crore top-up to the Self-Reliant India Fund, enhanced credit guarantees, and mandatory TReDS onboarding for large buyers.

**Sector-Specific Manufacturing:** Dedicated initiatives for sports goods manufacturing and indigenisation of seaplane manufacturing.

**Customs & Trade Facilitation:** Simplification of tariff structures, extension of duty-free inputs for key export sectors, longer export timelines for leather and textiles, and expansion of trust-based customs systems.

**Export Enablement:** Duty-free treatment for fish catch in EEZ and High Seas, and recognition of foreign port landings as exports, with safeguards.

**Electronics & SEZ Reforms:** Duty exemptions for select electronics components, toll manufacturing relief in bonded zones, and limited concessional DTA sales from SEZs.

**Services Growth Push:** Capacity building in healthcare, logistics, tourism, and IT, with reforms to strengthen India's global services competitiveness.

### FLAGSHIP ANNOUNCEMENTS/SCHEMES:

**India Semiconductor Mission 2.0** Builds on ISM 1.0 for equipment/materials, full-stack IP, supply chains, industry-led R&D/training.

**Electronics Components Manufacturing Scheme:** Outlay hiked to ₹40,000 crore to capitalize on momentum and deepen value addition.

**Scheme For Container Manufacturing:** ₹10,000 crore over 5 years for globally competitive ecosystem.

**SME GROWTH FUND:** ₹10,000 crore to create future MSME champions based on criteria.

**Mahatma Gandhi Gram Swaraj Initiative:** For khadi/handloom/handicrafts (training, skilling, market linkage).

# 04

## POWER, ENERGY & RENEWABLES



**₹20,000 Cr  
CCUS**

flagship carbon  
capture investment



**Rare Earth  
Corridors**

strategic mineral  
access



**Nuclear Power  
Extension  
2035**

long-term energy  
security



**Battery  
Storage  
Incentives**

grid stabilization  
and storage

## POWER, ENERGY & RENEWABLES

The Budget strengthens India's energy transition agenda by prioritising critical mineral security, clean energy manufacturing, and long-term decarbonisation. Targeted support for rare earth corridors, CCUS technologies, nuclear power, and battery energy storage systems underscore the focus on energy security. Complementary fiscal incentives for bioenergy and critical mineral exploration further accelerate India's shift towards a sustainable, low-carbon energy ecosystem.

### KEY HIGHLIGHTS:

**Boost to Battery Energy Storage Systems (BESS):** The existing Basic Customs Duty (BCD) exemption on capital goods used for manufacturing Lithium-Ion Cells for batteries is proposed to be extended to include capital goods used for Lithium-Ion Cells for battery energy storage systems, improving domestic manufacturing competitiveness.

**Nuclear Power Incentives:** The Union Government has proposed extending the BCD exemption on imports of goods required for nuclear power projects till 2035. The exemption will also be expanded to cover all nuclear plants, irrespective of capacity, reinforcing long-term energy security.

**Critical Minerals Processing:** BCD exemption is proposed on the import of capital goods required for processing of critical minerals in India, aimed at strengthening domestic value addition and reducing import dependence.

**Biogas Blended CNG:** It is proposed to exclude the entire value of biogas while calculating Central Excise duty payable on biogas-blended CNG, incentivising cleaner fuels and accelerating adoption of bioenergy solutions.

**Incentivising Prospecting and Exploration:** To encourage exploration of critical minerals, it is proposed to include select critical minerals in Schedule XII of the Act. This will make expenditure incurred on prospecting and exploration eligible for deduction under Section 51 of the Act, improving private sector participation in upstream activities.

### FLAGSHIP SCHEMES/ ANNOUNCEMENTS:

**Rare Earth Corridors:** The Central Government has proposed to support mineral-rich states; Odisha, Kerala, Andhra Pradesh, and Tamil Nadu, in establishing dedicated rare earth corridors.

**Carbon Capture, Utilisation and Storage (CCUS):** An outlay of ₹20,000 crore over the next five years has been proposed to scale up CCUS technologies.

# 05

## EASE OF DOING BUSINESS



### Income Tax Act 2025

Simplified code for growth



### Trust-Based Governance

Reduced compliance burden



### Decriminalization

Fewer minor offenses punished



### Foreign Investment Liberalization

Open sectors for capital

## EASE OF DOING BUSINESS

The Budget introduces a robust framework for regulatory reform across key domains to reduce bottlenecks, enhance competitiveness, and streamline the investment landscape. By integrating assessment processes and decriminalizing minor technical defaults, the government aims to reduce litigation and foster a more conducive environment for both domestic and international investors. These measures underscore a strategic shift toward a "trust-based" governance model, intended to accelerate private-sector participation and bolster business confidence.

### KEY HIGHLIGHTS:

**Foreign Investment Liberalization:** Individual Persons Resident Outside India (PROI) are now permitted to invest in equity instruments of listed Indian companies via the Portfolio Investment Scheme.

**Integrated Tax Proceedings:** To address the multiplicity of proceedings, assessment and penalty proceedings will be integrated into a common order.

**Reduced Pre and Post payment Requirements:** The quantum of pre-payment for appeals is reduced from 20% to 10%, calculated solely on the core tax demand. Taxpayers may update returns even after reassessment has commenced, subject to an additional 10% tax rate.

**Expanded Immunity Framework:** The immunity framework for penalty and prosecution in cases of underreporting is extended to misreporting, provided the taxpayer pays 100% of the tax amount as additional income tax.

**Decriminalization & Technical Defaults:** Penalties for technical defaults (e.g., failure to get accounts audited or non-furnishing of transfer pricing reports) are converted into fees. Minor offences and non-production of books are decriminalized, attracting fines only.

**Foreign Asset Disclosure:** Immunity from prosecution is provided for non-disclosure of non-immovable foreign assets with an aggregate value under ₹20 lakh.

### FLAGSHIP SCHEMES/ ANNOUNCEMENTS:

**Portfolio Investment Scheme (PROI):** Expansion of equity investment limits for individual foreign residents to 10% (individual) and 24% (aggregate).

# 06

## RESEARCH & INNOVATION



### India AI Mission Expansion

flagship healthcare investment



### ₹20,000 Cr R&D Fund

traditional medicine



### Deep Tech Fund of Funds

customs exemptions



### 3 New NIPERs

5 regional hubs

## RESEARCH & INNOVATION

The Union Budget places strong emphasis on strengthening India's research and innovation ecosystem to support long-term economic growth and global competitiveness. The Budget outlines targeted measures to advance emerging technologies, expand research infrastructure, support startups and MSMEs, and align education with industry and employment needs. Enhanced support for AI, healthcare research, R&D reflects the Government's focus on building a resilient, future-ready innovation framework.

### KEY HIGHLIGHTS:

**AI Mission Expansion:** The India AI Mission has moved into a scaling phase, with enhanced support for students, researchers, and startups, including a subsidy-linked marketplace for GPU access to democratise compute availability.

**Education-to-Employment Alignment:** Proposal to set up a High-Powered Education-to-Employment and Entrepreneurship Standing Committee to align education systems with job creation, particularly in the services sector, and assess the impact of emerging technologies, including AI, on skills and employment.

**Technology Missions:** Continued support for national technology initiatives, including the India AI Mission, National Quantum Mission, Anusandhan National Research Fund, and the Research, Development and Innovation Fund.

**Pharmaceutical Research Infrastructure:** Establishment of three new National Institutes of Pharmaceutical Education and Research (NIPERs), upgradation of seven existing NIPERs, and creation of a network of 1,000 accredited clinical trial centres across the country.

**University and Research Infrastructure:** Support for setting up University Townships near major industrial and logistics corridors to strengthen research, innovation, and skill ecosystems.

**Women in STEM:** Proposal to establish one girls' hostel in every district to improve access to higher education and research opportunities for women.

**Cloud Services Tax Holiday:** Announcement of a tax holiday for foreign companies providing cloud services by setting up data centres in India, including special provisions such as a 15% safe-harbour on cost for related entities co-providing services from India.

### FLAGSHIP POLICIES/ SCHEMES:

**The Electronics Components Manufacturing Scheme:** increased outlay of ₹40,000 crore.

**AVGC Content Creator Labs:** Setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges to build skills and innovation capacity in animation, visual effects, gaming, and comics.

**Scientific Infrastructure Augmentation:** Upgradation of telescope and observational infrastructure to strengthen research in astrophysics and astronomy

# 07 BANKING & FINANCIAL SECTOR



## High-Level Banking Committee

committee and regulations



## NBFC Restructuring

sector revitalization



## Corporate Bond Market

market development



## Municipal Bond Incentives

local finance support

## BANKING & FINANCIAL SECTOR

The Budget aims to push the Indian banking sector in a transformative phase, characterized by robust balance sheets and record profitability. It outlines a strategic blueprint to modernize financial architecture, deepen the corporate bond market, and streamline foreign investment frameworks. By focusing on institutional restructuring and technology-led inclusion, these measures aim to align the financial sector with the evolving economic priorities of a 'Viksit Bharat.'

### KEY HIGHLIGHTS:

**Banking for Viksit Bharat:** A "High-Level Committee on Banking for Viksit Bharat" will be established to comprehensively review the sector, ensuring it supports India's next growth phase while maintaining financial stability and consumer protection.

**NBFC Restructuring:** To achieve operational scale and efficiency in Public Sector NBFCs, the Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will undergo strategic restructuring.

**FEMA Rule Liberalization:** A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules is proposed to create a contemporary, user-friendly framework for foreign investments.

**Corporate Bond Market Deepening:** Introduction of a market-making framework with access to funds and derivatives on corporate bond indices. Total return swaps on corporate bonds will also be introduced to enhance liquidity.

### FLAGSHIP SCHEMES/ ANNOUNCEMENTS:

**Municipal Bond Incentives:** To encourage urban infrastructure financing, a new incentive of ₹100 crore will be provided for single municipal bond issuances exceeding ₹1,000 crore by large cities.

**Support for Small Towns:** The existing AMRUT scheme, which incentivizes bond issuances up to ₹200 crore, will continue to support infrastructure development in small and medium towns.

# 08

# DIRECT & INDIRECT TAXATION



## Income Tax Act 2025

major reforms and simplification



## MAT Reduced to 14%

corporate tax relief



## FAST-DS 2026 Scheme

dispute resolution



## Customs Rationalization

duty structure review

## DIRECT & INDIRECT TAXATION

The Union Budget 2026–27 advances a comprehensive tax reform agenda centred on simplification, certainty, and reduced litigation. Anchored by the introduction of the Income Tax Act, 2025, the Budget seeks to modernise tax administration, ease compliance for individuals and businesses, and strengthen voluntary participation. Complementary reforms in corporate taxation, customs, and indirect taxes aim to curb arbitrage, support domestic manufacturing, facilitate trade, and improve the overall ease of doing business.

### KEY HIGHLIGHTS:

**Taxpayer-Centric Reforms:** Targeted relief measures for individuals and small taxpayers, including exemption of interest income awarded by Motor Accident Claims Tribunals (MACT), extension of the revised return filing deadline to 31 March, and reduction of TCS to 2% on overseas tour packages as well as education and medical remittances under the Liberalised Remittance Scheme (LRS).

**Corporate & Capital Market Rationalisation: Taxation** of share buyback proceeds as capital gains in the hands of shareholders, along with the introduction of an additional tax on promoters, aimed at limiting tax arbitrage.

**Customs Duty Rationalisation:** Withdrawal of long-standing exemptions where domestic manufacturing capacity exists, while extending duty exemptions to support clean energy, nuclear power, lithium-ion batteries, and processing of critical minerals.

**Trade & Travel Facilitation:** Reduction in customs duty on personal imports from 20% to 10%, removal of the ₹10 lakh cap on courier exports to support MSME-led e-commerce, and rollout of trust-based, technology-enabled customs processes.

**Technology-Driven Compliance:** Introduction of integrated assessment and penalty proceedings, lower pre-deposit requirements for appeals, and movement towards a single digital customs clearance window targeted for FY 2026.

### FLAGSHIP SCHEMES/ANNOUNCEMENTS:

**Income Tax Act, 2025:** Introduction of the **Income Tax Act, 2025**, replacing the Income Tax Act, 1961, with effect from **1 April 2026**.

Simplified statutory provisions, redesigned compliance architecture, and measures aimed at reducing disputes and litigation.

**Foreign Asset Disclosure Scheme (FAST-DS, 2026):** Announcement of a **one-time Foreign Asset Disclosure Scheme (FAST-DS, 2026)** to enable disclosure of small overseas income and assets.

Scheme provides immunity from penalty and prosecution, subject to specified conditions.

**Minimum Alternate Tax (MAT) Reform:** Minimum Alternate Tax (MAT) to be treated as a **final tax** from **April 2026**.

MAT rate reduced to **14%**, enhancing certainty for corporate taxpayers.

**09**

# URBAN DEVELOPMENT & INFRASTRUCTURE

**₹12.2**  
Lakh Cr  
Public  
Capex

**City  
Economic  
Regions**

**7**  
High-  
Speed Rail  
Corridors

**20**  
New  
National  
Waterways

**MSL**

## URBAN DEVELOPMENT, INFRASTRUCTURE & LOGISTICS

The Union Budget places strong emphasis on strengthening urban infrastructure, enhancing logistics efficiency, and enabling city-led economic growth. The Budget outlines targeted measures to boost public capital expenditure, expand multimodal connectivity, support sustainable transport systems, and promote private sector participation through risk-sharing mechanisms. A renewed focus on Tier II and Tier III cities, city economic regions, and environmentally sustainable infrastructure

### KEY HIGHLIGHTS:

**Public Capital Expenditure Push:** Public capex has been increased to ₹12.2 lakh crore in FY 2026–27, up from ₹11.2 lakh crore in FY 2025–26, to sustain momentum in infrastructure.

**Tier II and Tier III Cities Focus:** Continued emphasis on developing infrastructure in cities with over 5 lakh population, positioning them as emerging growth centres.

**City Economic Regions (CERs):** Introduction of City Economic Regions, with an allocation of ₹5,000 crore per CER over five years, to drive city-led growth through reform-linked and results-based financing.

**Dedicated Freight Corridor:** Proposal to establish a new Dedicated Freight Corridor from Dankuni (East) to Surat (West) to improve freight movement and logistics efficiency.

**Inland Waterways Expansion:** Operationalisation of 20 new National Waterways over five years, starting with NW-5 in Odisha, to support sustainable cargo movement and regional economic development.

**Municipal Bonds Incentive:** Incentive of ₹100 crore for municipal bond issuances exceeding ₹1,000 crore, alongside continued support under AMRUT for smaller cities.

**Seaplane Connectivity:** Introduction of incentives for indigenised manufacturing of seaplanes and a Seaplane Viability Gap Funding (VGF) Scheme to enhance last-mile connectivity and tourism.

### FLAGSHIP POLICIES/SCHEMES:

**Infrastructure Risk Guarantee Fund:** Partial credit guarantees to de-risk infrastructure projects and crowd in private investment.

**City Economic Regions Programme:** ₹5,000 crore per region over five years to drive integrated, reform-linked urban economic growth.

**High-Speed Rail Corridors:** Development of seven high-speed rail corridors as growth connectors, including Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Delhi–Varanasi, and Varanasi–Siliguri.

**National Waterways Expansion Programme:** Operationalisation of 20 new national waterways to promote sustainable and cost-efficient cargo movement.

**Coastal And Inland Shipping Push:** Launch of a Coastal Cargo Promotion Scheme to increase the modal share of inland waterways and coastal shipping from 6% to 12% by 2047.

# 10

# AGRICULTURE & RURAL DEVELOPMENT



**₹1.52 Lakh  
Cr  
Allocation**

budget allocation



**Bharat  
Vistar AI  
Platform**

AI for farming



**High-Value  
Crops  
Program**

focus on  
high-return crops



**SHE Marts  
for  
Women**

empowerment  
initiatives

**MSL**

## AGRICULTURE & RURAL DEVELOPMENT

The Budget emphasizes strengthening the agriculture and allied sectors through enhanced productivity, diversification, and technology-led interventions. A strong focus on high-value crops, AI-driven advisory systems, and improved access to credit aims to boost farm incomes while creating sustainable rural livelihoods. Targeted investments in fisheries, animal husbandry, and women-led enterprises seek to deepen value chains, improve market linkages, and generate employment, particularly in vulnerable and underdeveloped regions.

### KEY HIGHLIGHTS:

**Bharat Vistar (Virtually Integrated System to Access Agricultural Resources):** An AI-powered, multilingual digital platform integrating AgriStack and ICAR databases to provide customised advisory services, improve productivity, and reduce farm-level risks.

**Promotion of High-Value Crops:** Targeted programmes to promote crops such as coconut, sandalwood, cashew, cocoa, agarwood (Northeast), and nuts, with a focus on scientific farming, orchard rejuvenation, and post-harvest value addition.

**Cashew & Cocoa Self-Reliance Programme:** Strengthening domestic production, processing, and branding to position India as a global hub for premium cashew and cocoa by 2030.

**Sandalwood Cultivation & Processing Initiative:** Scientific cultivation and organised plantation development in partnership with states to revive India's traditional sandalwood ecosystem and promote downstream processing.

**Integrated Fisheries Development Programme:** Development of 500 reservoirs and water bodies to strengthen the fisheries value chain, support Fish Farmer Producer Organisations, women-led groups, and fisheries startups, especially in coastal and inland regions.

**Animal Husbandry Entrepreneurship Support:** Introduction of a credit-linked subsidy scheme to modernise livestock enterprises, scale dairy and poultry value chains, and promote livestock-based Farmer Producer Organisations for rural employment generation.

**SHE Marts (Self Help Entrepreneur Marts):** Establishment of community-owned retail outlets under cluster development federations to enable women-led SHGs to transition from livelihoods to sustainable rural enterprises.

### FLAGSHIP SCHEMES/ ANNOUNCEMENTS:

**Loan-Linked Livestock Infrastructure Scheme:** Capital subsidy for private veterinary colleges, hospitals, diagnostic labs, and breeding centres to strengthen livestock healthcare and productivity.

**Coconut Development Programme:** A dedicated initiative to enhance coconut productivity by replacing senile and non-productive trees with improved varieties in major coconut-growing states, benefiting nearly 30 million livelihoods, including 10 million farmers.

# GET IN TOUCH

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