Union Budget Highlights - 2026

Finance Minister Nirmala Sitharaman on 1st Feb presented the Union Budget 2026. The Viksit Bharat Young Leaders Dialogue 2026 witnessed the sharing of several innovative ideas with the Hon'ble Prime Minister. These ideas have inspired many of the proposals in this Budget, making it a truly unique, Yuva Shakti-driven Budget. Government's 'Sankalp' is to focus on poor, underprivileged and the disadvantaged. To deliver on this Sankalp, and given that this is the first Budget prepared in Kartavya Bhawan, we are inspired by 3 *kartavya*: Our first kartavya is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics. Our second kartavya is to fulfil aspirations of our people and build their capacity, making them strong partners in India's path to prosperity. Our third kartavya, aligned with our vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

Key Highlights:

Budget Estimates: Coming to 2026-27, the non-debt receipts and the total expenditure are estimated as ₹36.5 lakh crore and ₹53.5 lakh crore respectively. The Centre's net tax receipts are estimated at ₹28.7 lakh crore. The fiscal deficit is estimated to be 4.3% of GDP. To finance the fiscal deficit, the net market borrowings from dated securities are estimated at ₹11.7 lakh crore. The balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at ₹17.2 lakh crore. Budget empowers on pillars of Growth and Development. Let's dive into the key highlights that will shape the financial landscape in the coming year.

First Kartavya: Accelerate and sustain economic growth

- To accelerate and sustain economic growth in six areas: i) Scaling up manufacturing in 7 strategic and frontier sectors; ii) Rejuvenating legacy industrial sectors; iii) Creating "Champion MSMEs"; iv) Delivering a powerful push to Infrastructure; v) Ensuring long-term energy security and stability; and vi) Developing City Economic Regions.
- To develop India as a global Biopharma manufacturing hub, budget proposed the Biopharma SHAKTI with an outlay of ₹ 10,000 crores over the next 5 years.
- India Semiconductor Mission (ISM) 1.0 expanded India's semiconductor sector capabilities. Building on this, we will launch ISM 2.0 to produce equipment and materials, design full-stack Indian IP, and fortify supply chains.
- A Scheme for Rare Earth Permanent Magnets was launched in November 2025. We now propose to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to establish dedicated Rare Earth Corridors to promote mining, processing, research and manufacturing.
- Budget proposed to launch the Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom and handicrafts. This will help in global market linkage and branding.
- Creating "Champion SMEs" and supporting micro enterprises, budget proposed to introduce a dedicated ₹10,000 crore SME Growth Fund, to create future Champions.
- Government will facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras', especially in Tier-II and Tier-III towns.
- Operationalising 20 new National Waterways connecting mineral rich areas, industrial centres and ports.
- '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.
- Budget proposed a comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules to create a more contemporary, user-friendly framework for foreign investments,

consistent with India's evolving economic priorities.

- Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to increase the investment limit for an individual PROI under this scheme from 5% to 10%, with an overall investment limit for all individual PROIs to 24%, from the current 10%.

Second Kartavya: Fulfil aspirations of our People

- Budget proposed to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat. This will make us a global leader in services, with a 10% global share by 2047.
- To promote India as a hub for medical tourism services, budget proposed to launch a Scheme to support States in establishing five Regional Medical Hubs, in partnership with the private sector.
- Exporting quality Ayurvedic products helps farmers who grow the herbs and the youth who process the products. To meet growing global demand, a few more steps are being taken. Budget proposed to (i) set up 3 new All India Institutes of Ayurveda; (ii) upgrade AYUSH pharmacies and Drug Testing Labs for higher standards of certification ecosystem, and make available more skilled personnel; (iii) upgrade the WHO Global Traditional Medicine Centre in Jamnagar to bolster evidence-based research, training and awareness for traditional medicine.
- Through VGF/capital support, 1 girls' hostel will be established in every district.
- To promote Astrophysics and Astronomy via immersive experiences, 4 Telescope Infrastructure facilities will be set up or upgraded.
- Budget also proposed a pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites through a standardized, high-quality 12-week training course in hybrid mode, in collaboration with an Indian Institute of Management.
- Budget proposed to develop 15 archeological sites. Excavated landscapes will be opened to the public through curated walkways.
- Budget proposed to launch a Khelo India Mission to transform the Sports sector over the next decade.

Third Kartavya: Vision of Sabka Sath, Sabka Vikas

- This requires targeted efforts for a) Increasing farmer incomes through productivity enhancement and entrepreneurship, with special attention to small and marginal farmers; b) Empowering Divyangjan through access to livelihood opportunities, training and high-quality assistive devices; c) Empowering the vulnerable to access mental health and trauma care; d) Focus on the Purvodaya States and the North-East Region to accelerate development and employment opportunities.
- Budget proposed a Coconut Promotion Scheme to increase production and enhance productivity through various interventions including replacing old and non-productive trees with new saplings/plants/varieties in major coconut growing States.
- A dedicated programme is proposed for Indian cashew and cocoa to make India self-reliant in raw cashew and cocoa production and processing, enhance export competitiveness and transform Indian Cashew and Indian Cocoa into premium global brands by 2030.
- To rejuvenate old, low-yielding orchards and expand high-density cultivation of walnuts, almonds and pine nuts support a dedicated programme to enhance farmer incomes and in bringing value addition by engaging youth.
- Budget proposed to launch Bharat-VISTAAR—a multilingual AI tool that shall integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.

Indirect Tax:

- In Marine, Leather, and Textile products, the limit for duty-free imports of specified inputs used for processing seafood products for export, is to be increased from the current 1 per cent to 3 per cent of the FOB value. The duty-free imports of specified inputs, which is currently available for exports of leather or synthetic footwear will be allowed.
- In Energy sector, the basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries will be extended and the basic customs duty on import of sodium antimonate for use in manufacture of solar glass will be exempted.
- The Finance Minister added that the existing basic customs duty exemption on imports of goods required for Nuclear Power Projects will be extended till the year 2035 and the basic customs duty on specified parts used in the manufacture of microwave ovens will be exempted.
- The basic customs duty to the import of capital goods required for processing of critical minerals will be exempted and the entire value of biogas while calculating the Central Excise duty payable on biogas blended CNG will be excluded.
- In the Civil and Defence Aviation sector, the basic customs duty on components and parts required for the manufacture of civilian, training and other aircrafts will be exempted and the basic custom duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector will be exempted.
- Further, a special one-time measure, to facilitate sales by eligible manufacturing units in Special Economic Zone to the Domestic Tariff Area (DTA) at concessional rates of duty is proposed.
- To enhance the Ease of Living, the Finance Minister stated that the tariff rate on all dutiable goods imported for personal use will be reduced from 20 per cent to 10 per cent. The basic customs duty on 17 drugs or medicines will be exempted. 7 more rare diseases will be added for the purposes of exempting import duties on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment.

Direct Tax:

In Direct Taxes, many new reforms are proposed in the Union Budget 2026-27. The New Income tax Act, 2025 will come into effect from 1st April 2026. Also the simplified Income Tax Rules and Forms will be notified shortly.

- Reduce TCS rate on sale of overseas tour program package to 2 % (from current 5% and 20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittances for education and medical.
- Single window filing with depositories for Form 15G or 15 H for TDS on dividends, interests etc
- Extend time available for revising returns from 31st December to upto 31st March with payment of nominal fees.
- The timeline for filing of tax returns to be staggered.
- TAN for property transactions involving NRIs will be replaced with resident buyers PAN based challan.
- A one time 6 month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.
- Exemption for a period of 3 years allowed to dividend income received by a notified national cooperative federation, on their investments made in companies up to 31.1.2026, for dividends further distributed to its member co-operatives.
- Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

Other Tax Proposals:

- In the interest of minority shareholders, buyback for all types of shareholders to be taxed as Capital Gains. Promoters to pay an additional buyback tax, making effective tax 22 percent for corporate promoters and 30 percent for non-corporate promoters.
- TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2 percent and that on tendu leaves will be reduced from 5 percent to 2 percent.
- STT on Futures to be raised to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options to be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent respectively.
- To encourage companies to shift to the new regime, set-off of brought forward MAT credit to be allowed to companies only in the new regime. 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. There will be no further credit accumulation from 1st April 2026. The rate of final tax to be reduced to 14 percent from the current MAT rate of 15 percent. The brought forward MAT credit of taxpayers accumulated till 31st March 2026, will continue to be available to them for set-off as above.