

UNION BUDGET

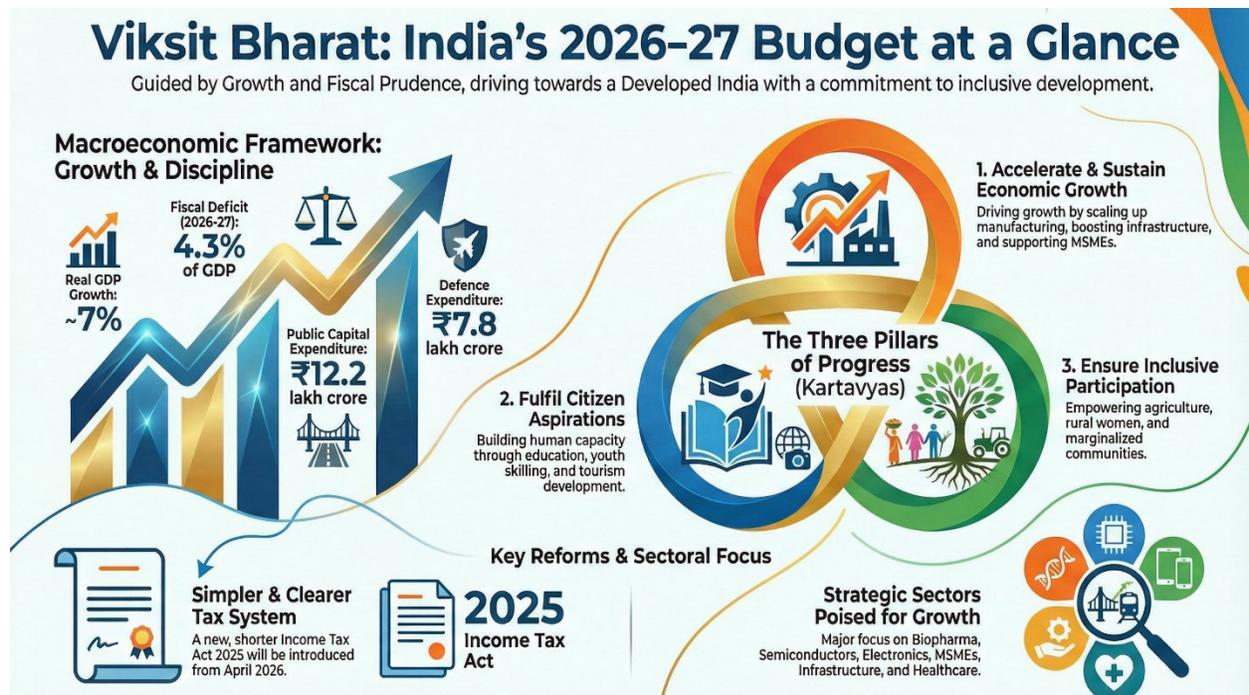
2026-27

Synopsis

VIKSIT BHARAT

Balancing Ambition with Inclusion

February 2026



The Overarching Theme: Viksit Bharat

The central theme of the 2026-27 Budget is "**Viksit Bharat: Balancing ambition with inclusion.**" It is designed to transform India's economic trajectory by choosing "action over ambivalence" and "reform over rhetoric". The budget is guided by a "**Sankalp**" (Resolution) to focus on the poor, underprivileged, and disadvantaged.

The Three Kartavyas (Duties)

The delivery of this vision is structured around three primary duties:

I	<p>Accelerate and Sustain Economic Growth</p> <p>Enhancing productivity and building resilience against volatile global dynamics.</p>
II	<p>Fulfil Aspirations</p> <p>Building people's capacities to make them strong partners in prosperity.</p>
III	<p>Inclusive Participation</p> <p>Ensuring every family, community, and region has access to resources and opportunities (Sabka Saath, Sabka Vikas).</p>

Macro-Economic Performance & Fiscal Prudence

India maintains a high real GDP growth rate of approximately **7%** with moderate inflation and fiscal discipline.

Metric	Target / Value
Debt-to-GDP Ratio Target	50% ($\pm 1\%$) by 2030-31
Fiscal Deficit 2026-27	4.3% of GDP
Public Capital Expenditure	₹12.2 lakh crore
State Devolution Share	41% (₹1.4 lakh crore grants)
Defence Expenditure	₹7.8 lakh crore (15% growth)

First Kartavya: Sustaining Economic Growth

To accelerate and sustain economic growth, the finance minister proposed specific interventions across six main drivers:

1. Scaling up Manufacturing in Strategic and Frontier Sectors

The government aims to establish India as a global manufacturing hub by focusing on seven strategic areas:

- **Biopharma SHAKTI:** ₹10,000 crore outlay over five years to develop domestic production of biologics and biosimilars.
- **India Semiconductor Mission 2.0:** Expanding capabilities to produce equipment, materials, and full-stack Indian IP.



- **Electronics and Minerals:** Increasing the outlay for electronic component manufacturing to ₹40,000 crore and establishing dedicated Rare Earth Corridors in mineral-rich states.
- **Integrated Programme for Textiles:** Including National Fibre Scheme and modernisation of traditional clusters through technology upgradation.



2. Rejuvenating Legacy Industrial Sectors

The budget introduces a scheme to support **200 legacy industrial clusters** to enhance cost-competitiveness and efficiency through targeted infrastructure improvements and technology acceleration.

3. Creating "Champion" MSMEs

Recognised as a vital engine of growth, MSMEs will be supported through a three-pronged approach:

- **Equity Support:** ₹10,000 crore SME Growth Fund to incentivise and create future champions.
- **Liquidity Support:** Mandating TReDS platform for all CPSE purchases with credit guarantee mechanisms for invoice discounting.
- **Professional Support:** Facilitating "Corporate Mitras" to help small businesses meet compliance requirements affordably.

4. Delivering a Powerful Push for Infrastructure

Public capital expenditure is proposed to increase to ₹12.2 lakh crore for 2026-27. Key developments include:

- Setting up an Infrastructure Risk Guarantee Fund to provide credit guarantees to lenders.



- Expanding transport networks through new Dedicated Freight Corridors and operationalising 20 new national waterways.
- Recycling CPSE real estate assets through dedicated REITs.

5. Ensuring Long-Term Energy Security and Stability

The budget focuses on environmentally sustainable growth with a **₹20,000 crore scheme for Carbon Capture, Utilisation and Storage (CCUS)** technologies across power and steel sectors. Support for nuclear power projects and customs duty exemptions for lithium-ion cell manufacturing is also included.

6. Developing City Economic Regions

Cities are viewed as engines of growth and innovation:

- Mapping City Economic Regions with ₹5,000 crore allocation over five years.
- Focusing on Tier-II and Tier-III cities and temple towns.
- Developing seven high-speed rail corridors (Mumbai-Pune, Delhi-Varanasi, etc.) as environmentally sustainable growth connectors.

Second Kartavya: Fulfilling Aspirations

The overarching goal is to transform "aspiration into achievement and potential into performance" through targeted interventions:

1. The Services Sector as a Core Driver

The government has placed renewed emphasis on the services sector:

- **Education to Employment Committee:** High-powered committee established to achieve 10% global share in services by 2047.
- **Youth Skilling:** Assessment of emerging technologies like AI impact on jobs and proposing skilled career pathways for youth.

2. Education and Capacity Building

- **Bharatiya Bhasha Pustak Scheme:** Digital Indian language books for school and higher education.
- Five University Townships near major industrial corridors.
- A Girls' hostel in every district for higher-education STEM institutions.

3. Tourism and Institutional Development

Tourism is highlighted for employment generation and economic expansion:

- National Institute of Hospitality upgrading existing infrastructure.
- Pilot scheme to train 10,000 guides at 20 iconic tourist sites.
- MUDRA loans for homestay development.

Third Kartavya: Inclusive Participation

Aligned with "Sabka Saath, Sabka Vikas", ensuring every family, community, region, and sector has access to resources and opportunities:

1. Agricultural and Rural Prosperity

- **Fisheries and Aquaculture:** Integrated development of 500 reservoirs and Amrit Sarovars, strengthening fisheries value chain.
- **Animal Husbandry:** Loan-linked capital subsidy for private sector veterinary colleges and hospitals.
- **High-Value Agriculture:** Programs for coconut, cashew, cocoa, sandalwood, and orchard rejuvenation for walnuts, almonds, and pine nuts.
- **Bharat-VISTAAR:** Multilingual AI tool integrating agricultural portals for customised advisory services.



2. Empowerment of Women and Youth

- **SHE Marts:** Self-Help Entrepreneur Marts as community-owned retail outlets managed by rural women-led enterprises.
- **Care Ecosystem:** Training 1.5 lakh multiskilled caregivers for geriatric and allied health services.

3. Support for Vulnerable and Marginalised Groups

- **Empowering Divyangjan:** Divyangjan Kaushal Yojana for industry-relevant training and scaling up assistive device production through ALIMCO.
- **Mental Health and Trauma Care:** Establishing NIMHANS-2 in North India and upgrading institutes in Ranchi and Tezpur. Increasing emergency care capacity by 50%.

Tax Reforms and Fiscal Measures

Direct Tax Proposals

The government is introducing the **Income Tax Act 2025**, effective from 1 April 2026. This new legislation is designed to be clearer, shorter (roughly half the size of current law), and provide tax certainty with a trust-based administration.

Key Direct Tax Measures

- TCS reduction on overseas tour packages from 5%/20% to 2%.
- STT on Futures raised from 0.02% to 0.05%.
- STT on options premium and exercise increased to 0.15%.
- Individual PROIs permitted to invest in equity instruments through PIS.
- MAT credit set-off allowed to 1/4th of tax liability in new regime; MAT proposed as final tax
- **Tax holiday until 2047 for foreign companies providing global cloud services using Indian data centres.**

Indirect Tax Proposals

The budget aims to simplify the customs structure by reducing the number of tariff rates with sector-specific relief:

Sector-Specific Customs Relief

- **Healthcare:** BCD fully exempted on 17 cancer drugs and medicines for rare diseases.
- **Electronics & Energy:** BCD exempted for capital goods in lithium-ion battery manufacturing and microwave parts.



- **Aviation:** Exemptions for components in civilian training aircraft and defence-sector materials.
- **Marine & Leather:** Duty-free import limit increased from 1% to 3% for seafood processing inputs; full BCD exemption on Wet Blue leather.
- **Nuclear Energy:** BCD exemptions for nuclear power projects extended until 2035.

Fiscal Impact

Revenue foregone is estimated at ₹1 lakh crore in direct taxes and ₹2,600 crore in indirect taxes.

Sectoral Impacts

Positively Impacted Sectors

Bio-pharmaceuticals	Semiconductors & Electronics	Data Centres
Rare Earth Minerals	MSMEs	Infrastructure
Agriculture	Healthcare	Textiles
Defence	Railways	Tourism
Energy & Sustainability	Urban Development	

Negatively Impacted Sectors

Financial Sector (Derivatives Market)
Increased Securities Transaction Tax (STT) on futures and options trading

The Union Budget 2026-27 represents a comprehensive vision for India's transformation into a developed nation by 2047, balancing economic growth with social inclusion and fiscal responsibility.

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