February 02, 2026

Union Budget 2026

Comprehensive Analysis

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About Aritra Partners

Your Trusted Navigator in the Indian Startup Ecosystem

Aritra Partners is a premier multidisciplinary advisory firm dedicated to empowering the visionaries of the Indian startup ecosystem. With a legacy spanning over 12 years, we have evolved alongside India's digital economy, establishing ourselves as a cornerstone for both founders and funders. Our firm is built on the principle of "high ownership," meaning we don't just consult; we integrate ourselves into our clients' journeys as strategic partners to unlock long-term value.

Headquartered in Mumbai and Bengaluru, our team of over 50+ seasoned professionals—including Chartered Accountants, Lawyers, and Company Secretaries—brings together a rare blend of financial acumen and legal precision. We provide strategic clarity across the entire business lifecycle, from the initial sparks of seed funding to the complexities of late-stage exits and M&As.

Our Integrated Expertise:

- **Transaction Advisory:** Providing end-to-end support for fundraises (Series A to D) and secondary exits, ensuring our clients are always investor-ready.
- **Tax & Regulatory Structuring**: Navigating the intricate Indian and cross-border tax landscapes to optimize corporate structures and ensure seamless compliance.
- **Legal & Governance**: Managing the high-stakes world of deal documentation, due diligence, and secretarial compliance with an unwavering commitment to ethics.
- **Strategic Financial Management**: Acting as a bridge between operational goals and fiscal discipline, helping startups scale sustainably.

In an era of rapid regulatory shifts—as highlighted in our analysis of the Union Budget 2026—Aritra Partners remains committed to transforming legislative complexity into a competitive advantage for our clients. We believe that by managing the intricacies of the "back-end," we allow entrepreneurs to focus on what they do best: building the future of India.

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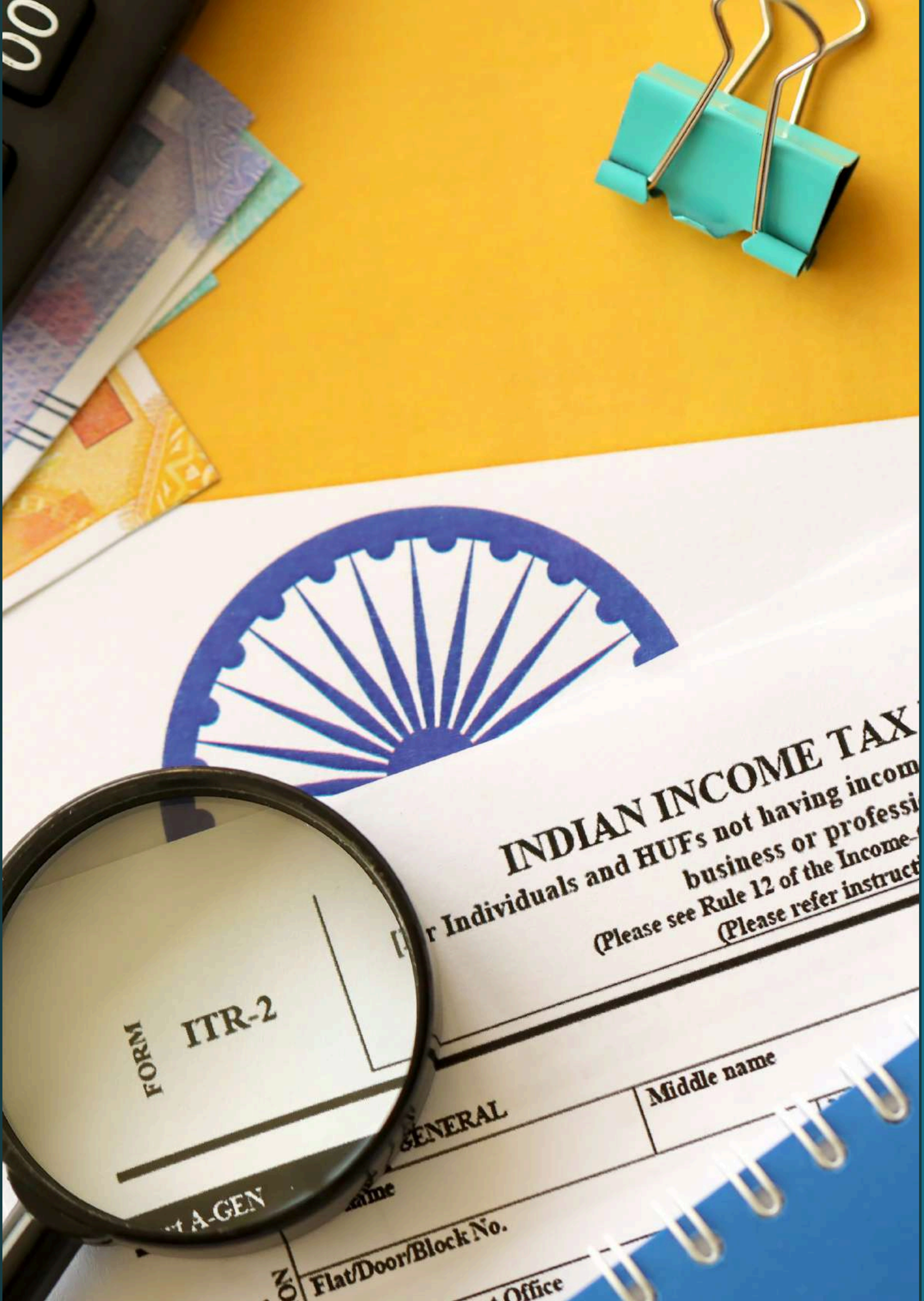


Tax Rates

Tax Rates

Income-Tax

- Income Tax Act, 2025, will come into effect from 1st April, 2026.
- No change in income tax slabs or rates for tax year 2026-27; existing structure retained under both new and old regimes.

ICDS–IndAS convergence (In Budget Speech)

- A joint MCA–CBDT committee will align ICDS with IndAS, eliminating separate ICDS-based tax accounting from tax year 2027-28 onwards.

MAT

Minimum Alternate Tax (MAT) – Existing Framework	MAT – Proposed Changes in Budget 2026
MAT applicable to companies, levied on book profits at 15% (excluding IFSC units).	MAT to be treated as final tax under the old regime; no new MAT credit to be allowed going forward.
Payable where MAT exceeds the normal income-tax liability under regular provisions.	MAT rate reduced from 15% to 14% of book profits.
Excess MAT paid allowed as credit, carry-forward permitted for up to 15 years.	Domestic companies: Brought-forward MAT credit as on 1 April 2026 will be allowed only to domestic companies shifting to the new regime, capped at 25% of the tax liability under the new regime, and subject to the 15-year validity period.
MAT regime is currently applicable only under the old tax regime.	Foreign companies: MAT credit set-off to be allowed only in years where normal tax exceeds MAT, limited to the difference between normal tax and MAT.
Under the existing provisions, certain foreign companies and non-residents were excluded from the applicability of Minimum Alternate Tax, including non-residents deriving income from specified businesses taxed on a presumptive basis under section 61 of the Income-tax Act, 2025. However, not all specified businesses covered under the presumptive taxation framework were excluded from MAT, resulting in differential treatment among non-resident businesses.	Non-residents paying tax under the presumptive taxation scheme will be exempt from MAT and in order to ensure uniform treatment under presumptive taxation, non-resident businesses operating cruise ships and providing services/technology for setting up electronics manufacturing facilities in India are proposed to be excluded from MAT applicability.

Income Heads

Income Heads

Income from Salaries

Alignment of Recognised Provident Fund Provisions with EPF Framework:

- The Finance Bill proposes to align income-tax provisions relating to recognized provident funds with the current EPF regulatory framework.
- Legacy conditions such as contribution parity requirements, percentage-based contribution limits, shareholder-specific rules, and rigid investment caps are proposed to be removed.
- This rationalization is in line with the existing unified monetary ceiling on employer contributions and updated EPF investment regulations.
- The amendments will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

Income from House Property

Deduction for Two Self-Occupied Properties:

- The Budget proposes to extend the benefit of nil annual value to up to two self-occupied residential properties, as against the earlier restriction of one property. Consequently, the second self-occupied property will no longer be treated as deemed let-out, providing relief from taxation on notional rental income for homeowners owning multiple houses.
- Further, for self-occupied house property, the overall deduction limit of INR 2,00,000 on interest on housing loans will now include interest on the pre-construction period.. These changes will be effective from 1 April 2026.

Profits and Gains from Business or Profession

Rationalization of Employee Contribution Deductions:

- The Budget proposes to permit the deduction of employee contributions under PGBP where such contributions are credited on or before the due date of filing the income-tax return.
- Earlier, employee contributions were allowable as a deduction only if deposited within the prescribed statutory or fund-specific due dates, leading to disallowance in cases of delayed remittance.
- The amendment will take effect from 1 April 2026 and apply from tax year 2026–27 onwards.

Global Business – Critical Minerals: Finance Bill, 2026 has proposed to expand Schedule XII to include critical minerals, thereby extending the benefit of deduction under section 51 to expenditure incurred on prospecting and exploration of such minerals. As a result, expenditure incurred on critical mineral exploration and prospecting will also qualify for deferred deduction in accordance with the existing framework, to incentivize domestic exploration and strengthen India's participation in global critical mineral supply chains.

Income Heads

Capital Gains

Share Buy-back Consideration Taxed as Capital Gains

- Consideration received by shareholders on buy-back of shares will now be taxed as capital gains, instead of being treated as dividend income.
- Correspondingly, the cost of the acquisition mechanism has been aligned to ensure appropriate computation of gains.
- This amendment effectively shifts the tax liability from the company to the individual shareholder, with the buy-back proceeds now governed by the capital gains charging and computation provisions of the Income Tax Act. These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

Higher Effective Tax for Promoters on Buy-backs

- The Budget introduces a higher effective tax incidence on promoters arising from share buy-backs as per the table below.
- The provision differentiates promoter and non-promoter shareholders for buy-back taxation purposes, having regard to the degree of influence exercised by promoters over such decisions. These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

Listed / Unlisted Company	Particulars	Long-Term Capital Gains Tax	Short-Term Capital Gains Tax
Listed	Promoter – Domestic Company	22%	22%
	Promoter – Other than Domestic Company (including Foreign Promoter)	30%	30%
	Public Shareholders	12.5%	20%
Unlisted	Holding > 10% (directly or indirectly) – Domestic Company	22%	22%
	Holding > 10% (directly or indirectly) – Other Shareholders	30%	40%
	Holding > 10% (directly or indirectly) – Foreign Company	30%	50%
	Holding < 10% – Any Shareholder	12.5%	Slab Rate

Income Heads

Capital Gains

STT on Futures:

- Securities Transaction Tax on the sale of Futures in securities is proposed to be increased from 0.02% to 0.05% of the traded price, leading to higher transaction costs.
- These amendments shall take effect from the 1st day of April, 2026, and the revised rate will apply to Futures transactions entered into on or after that date.

STT on Options:

- Securities Transaction Tax on Options transactions is proposed to be increased to 0.15% on the sale of option premium and 0.15% on intrinsic value where options are exercised, to curb excessive speculation.
- These amendments shall take effect from the 1st day of April, 2026, and the revised rates will apply to Options transactions entered into on or after that date.

Exemption on Sovereign Gold Bonds:

- Exemption on capital gains arising on redemption of Sovereign Gold Bonds will be available only where the bonds are subscribed at the time of original issue and held continuously until maturity, ensuring uniform application across all RBI issuances.
- These provisions will take effect from 1 April 2026 and will apply from the tax year 2026–27 onwards.

Income Heads

Income from Other Sources

Interest Deduction Disallowed on Dividend and Mutual Fund Income:

- Interest expenditure incurred to earn dividend income or income from mutual funds, which was earlier allowed up to 20% of the gross income, will now be fully disallowed. Dividend income and mutual fund income are considered passive investment receipts, and expenses related to earning such income will no longer be deductible.
- These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

Expanded Deduction for Co-operative Societies:

- The deduction for co-operative societies has been extended to income from the supply of cattle feed and cotton seeds produced by members, in addition to existing activities like milk, oilseeds, fruits, and vegetables. This broadens the scope to recognize ancillary activities of members within primary co-operative societies.
- These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

Inter Co-operative Dividends:

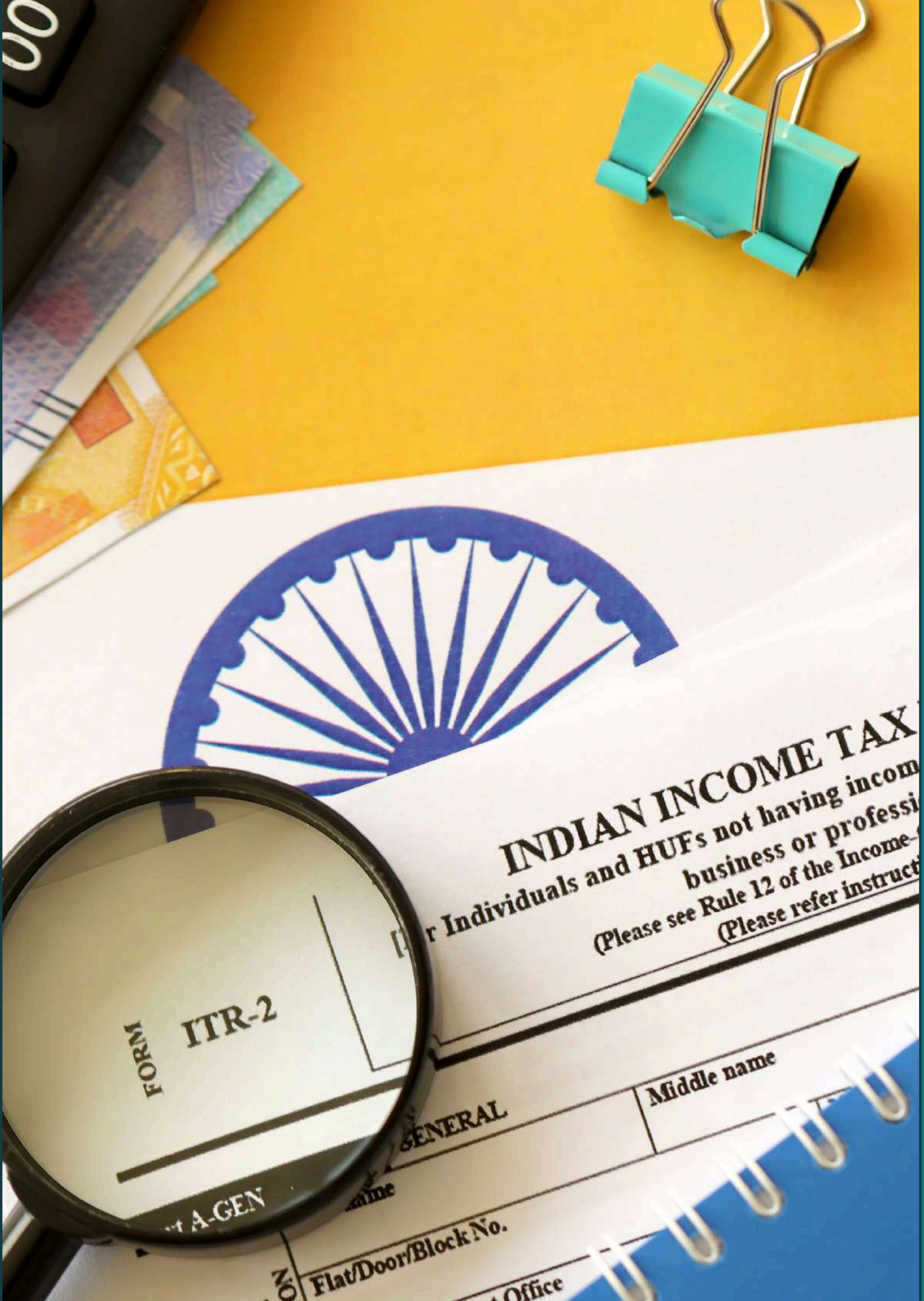
- Dividends received by a co-operative society from other co-operative societies will now be eligible for deduction to the extent such dividends are distributed to its members in the new tax regime.
- These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

National Co-operative Federations:

- Notified federal co-operative societies will be allowed a deduction for dividends received from companies for three years (up to tax year 2028–29), provided these dividends arise from investments made on or before 31 January 2026 and are subsequently distributed to their members.
- These changes will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.

MACT Interest Exemption:

Interest received as compensation under the Motor Vehicles Act, 1988, by an individual or their legal heir will be exempt from tax, providing relief to accident victims and their families. This will be effective from 1 April 2026 and apply from tax year 2026–27 onwards.



Withholding Taxes

Tax Deducted at Source

Manpower services clarified:

- Supply of manpower services has been expressly classified as contractor services, with TDS applicable at 1% or 2%. This amendment resolves the earlier interpretational ambiguity between contractor and professional/technical service provisions.
- The clarification provides certainty to taxpayers and will be effective from 1 April 2026.

Automated Lower / Nil TDS Certificates:

- A rule-based, electronic mechanism is proposed for the issuance of lower or nil TDS certificates to small taxpayers, replacing the existing manual application process.
- This measure aims to ease compliance by enabling online application and automated verification by the prescribed authority.
- The amendment will be effective from 1 April 2026.

Non-Resident Property Transactions:

- For transactions involving the purchase of immovable property from non-resident sellers, resident individuals and HUFs will no longer be required to obtain a TAN.
- TDS on such transactions will be deducted and deposited using the resident buyer's PAN, thereby simplifying compliance requirements.
- The amendment will take effect from 1 October 2026.

Filing of No-TDS Declaration through Depositories:

- Investors earning dividend, interest, or mutual fund income will be allowed to file declarations for non-deduction of TDS with the depository, instead of submitting separate declarations to multiple payers.
- The depository will share such declarations with the respective payers, reducing compliance burden for investors. Further, the reporting timeline for payers has been relaxed from monthly to quarterly.
- This amendment applies to listed securities held in depository form and will be effective from 1 April 2027.

Tax Collected at Source

Proposed Changes to TCS Rates on Specified Transaction

Sl. No	Nature of receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption.	1%.	2%.
2	Sale of tendu leaves.	5%.	2%.
3	Sale of scrap.	1%.	2%.
4	Sale of minerals, being coal or lignite or iron ore.	1%.	2%.
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees	(a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
6	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(a) 5% of amount or aggregate of amounts up to ten lakh rupees; (b) 20% of amount or aggregate of amounts exceeding ten lakh rupees.	2%

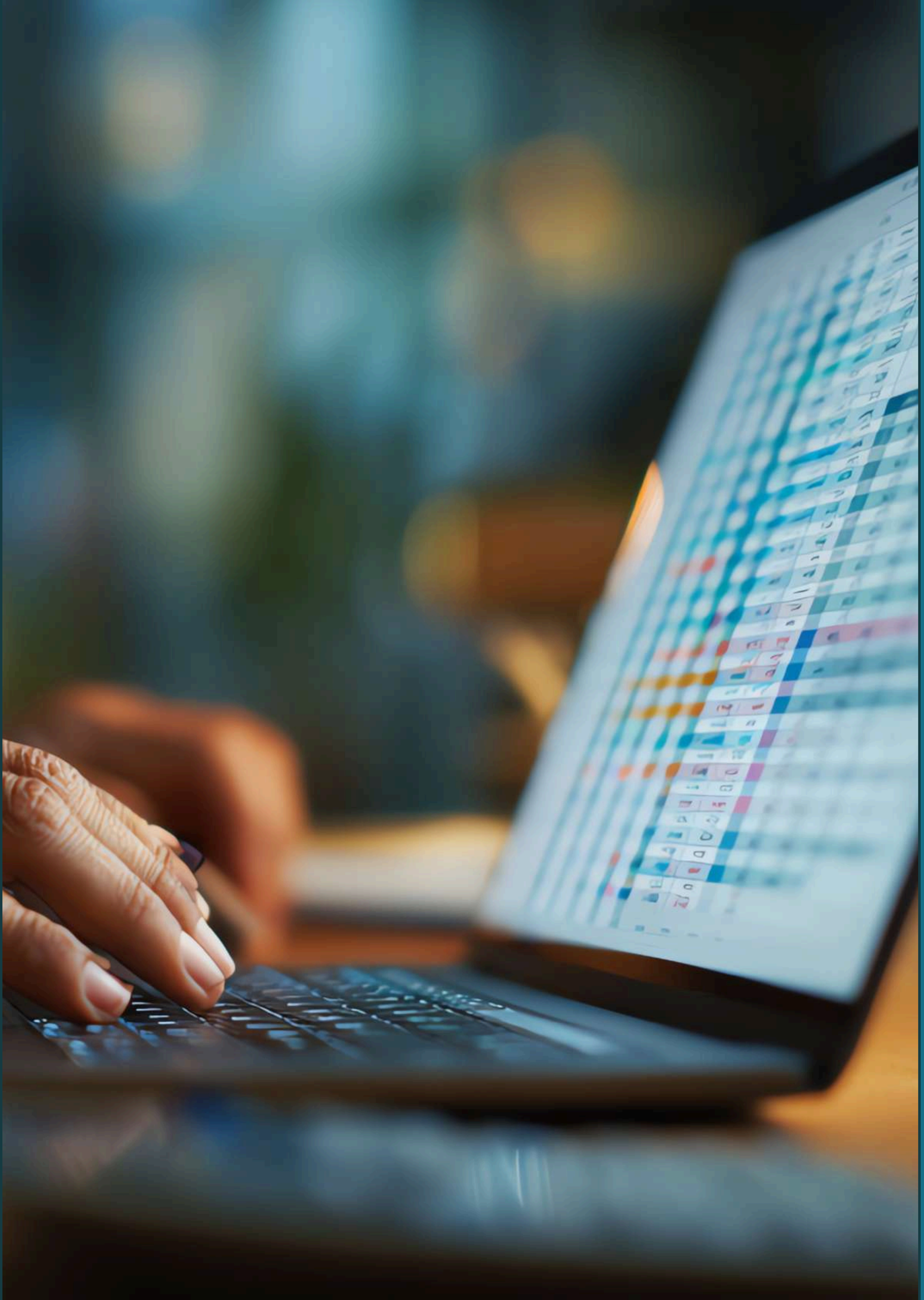
Tax Collected at Source

Rationalisation of Punishment for Failure to Deposit TCS

- The Budget proposes to substantially reduce the penal consequences for failure to deposit TCS, replacing the earlier provision of rigorous imprisonment of up to seven years with a graded and proportionate penalty structure based on the amount involved:

Amount of TCS Involved	Nature of Punishment
Exceeding INR 5 Million	Simple imprisonment up to 2 years, or fine, or both
Exceeding INR 1 Million but up to INR 5 Million	Simple imprisonment up to 6 months, or fine, or both
Up to INR Million	Monetary penalty only, with no imprisonment

- Additionally, in line with the intent of the Income-tax Act, 1961, it is proposed that CBDT guidelines issued in relation to WHT and TCS provisions will be binding on both tax authorities and taxpayers, providing greater certainty and consistency in implementation.



Non-Resident Taxation

Non-Resident (NR) Taxation

Exemption to promote Electronic Manufacturing:
Income of a foreign company from supplying capital goods, equipment, or tooling to a resident contract manufacturer is exempt until tax year 2030-31, provided:

- The foreign company retains ownership of the supplied goods
- The goods remain under the control and direction of the contract manufacturer
- The contract manufacturer operates in a customs-bonded area
- The contract manufacturer produces electronic goods on behalf of the foreign company for a consideration
- This amendment will be effective from 1 April 2026.

Exemption under notified schemes:
Income earned outside India is exempt for a non-resident expert visiting India for the first time to provide services under government-notified schemes during their stay in India, up to five consecutive years, provided:

- Such an individual has been a non-resident for the five consecutive years immediately preceding the tax year of visit
- Other conditions as may be prescribed
- This amendment will be effective from 1 April 2026.

Exemption to promote Indian data centres:
Income of a foreign company from procuring data centre services from a specified data centre in India is exempt up to the tax year 2046-47, provided:

- Such a foreign company is specifically notified by the Central Government
- It does not own or operate any physical infrastructure or resources of the specified data centre
- It maintains and furnishes prescribed information in the specified form and manner
- All sales to Indian users are routed through an Indian reseller company
- The specified data centre is set up under an approved scheme of central government, and is owned and operated by an Indian company
- This amendment will be effective from 1 April 2026.

Non-Resident (NR) Taxation

Exemption from Minimum Alternate Tax (MAT) (refer slide 25)

Effect of the Advance Pricing Agreement (APA)

- The facility to modify the return pursuant to an APA is extended to associated entities, in addition to the person entering into such APA.
- This amendment will be effective from 1 April 2026.

Fastrack APA process related to IT services*:

The unilateral APA process for IT services is aimed to be concluded within two years, with a possible extension of six months at the taxpayer's request.

Amendments related to Safe Harbour Rules*:

- IT-enabled services, KPO and contract R&D (software) are clubbed as IT services with a uniform 15.5% margin.
- Safe harbour threshold for IT services increased from INR 300 crore to INR 2,000 crore.
- Automated, rule-based approval for IT safe harbour, without tax officer intervention.
- Optional continuity to apply the IT safe harbour for up to 5 years once opted.
- 15% safe harbour extended to resident entities providing data centre services to related foreign companies.
- 2% safe harbour margin extended to foreign manufacturers for storing components/raw materials in bonded warehouses.
- The definition of "accountant" was rationalised under the Safe Harbour Rules to promote Indian accounting and advisory firms to go global.

*Note: The said points are mentioned in the Finance Minister's Speech

Tax Assessments & Procedure

Procedural Changes

Return Filing Due Dates Rationalization

- The amendment provides clear and uniform deadlines for filing income tax returns across various taxpayer categories in the financial year following the relevant tax year, as outlined below:

30th November

Assessees (including partners/spouses) in transfer pricing cases

31st August

Non-audit business/profession assessees, their partners/spouses, and trusts where special provisions do not apply

31st October

Companies, audit cases, and partners/spouses in audited firms

31st July

For all other assessees

Revised Return Window Extended:

- With effect from 1 March 2026, taxpayers can file revised returns within twelve months from the end of the relevant tax year or before the completion of assessment, whichever is earlier. Revised returns filed after the initial nine-month period will attract a nominal fee of INR 1,000 if total income does not exceed INR 5 lakh, and INR 5,000 if it exceeds INR 5 lakh.

Tax Assessments

Rationalising Penalty and Prosecution

- **Integrated Assessment & Penalty:** Assessment and penalty proceedings will be concluded through a common order, reducing multiplicity, litigation, and compliance burden. Interest on penalty demand will remain in abeyance during the pendency of the first appeal.

- **Stay of Tax Demand:** A stay on the tax demand (excluding any penalty) will be granted upon payment of 10% of the assessed tax amount.

- **Expanded Immunity Framework:** Immunity from penalty and prosecution for underreporting (including certain misreporting cases) is now available on payment of 100% of the tax; for unexplained credits and similar cases, settlement is possible at 120% of the tax. Immunity is not available if prosecution has already been initiated.

- **Penalty to Fee Conversion:** Penalties for failure to get accounts audited, non-furnishing of transfer pricing reports, and defaults in furnishing statements of financial transactions are converted to daily fees, subject to a cap.

- **Rationalised Prosecution:** Minor offences, such as non-production of books or TDS on payments in kind, are decriminalised. All prosecutions now entail simple imprisonment (not rigorous), with maximum punishment reduced to 2 years (or 6 months for lesser offences), and minor offences are punishable by fine only. Punishments are now proportionate to the amount of tax evaded.

- **Rationalisation of Tax Rate on Special Incomes:** The tax rate on special incomes, including unexplained credits, investments, money, and expenditure, has been rationalised from 60% to 30%. The specific penal provisions previously applicable to such additions have now been subsumed under the general penalty regime for misreporting of income. Consequently, a penalty at the rate of 200% of the tax payable will apply, replacing the earlier 10% penalty. While the base tax rate has been reduced, the higher penalty rate results in a significantly increased effective tax liability.

Tax Assessments

Shift from Penalties to Fee-Based Compliance

- Certain technical and compliance-related penalties are proposed to be replaced with a structured fee-based system, as detailed below:

Non-Compliance Scenario	Applicable Fee
Non-filing of eTDS/eTCS statements	INR 200 per day of delay, subject to the total amount of underlying TDS/TCS
Non-furnishing of statement of financial transactions	INR 200 per day, capped at INR 1,00,000
Non-filing of income tax return	INR 1,000 if total income ≤ INR 5,00,000; INR 5,000 if total income exceeds INR 5,00,000
Delay in getting accounts audited	INR 75,000 for up to 1 month delay; INR 1,50,000 for longer delays
Delay in furnishing transfer pricing audit report	INR 50,000 for up to 1 month delay; INR 1,00,000 for longer delays

Tax Assessments

Clarification of Time Limits for Completion of Assessments in DRP Cases

- The amendment addresses litigation arising from divergent judicial views, including the split verdict of the Supreme Court in ACIT v. Shelf Drilling Ron Tappmeyer Ltd. (2025), on the interaction between general assessment limitation periods and timelines applicable to cases involving the Dispute Resolution Panel (DRP).
- It is now retrospectively clarified that the time-barring limitation applies only to the issuance of the draft assessment order, and does not apply to the passing of the final assessment order after completion of DRP proceedings. Where the draft order is issued within the prescribed time, the subsequent period for completing the assessment is governed independently by the DRP framework, notwithstanding any prior judicial rulings.
- These clarifications are deemed to have been in force with effect from 1 April 2009, thereby validating past and pending assessments and conclusively treating the DRP mechanism as a self-contained process for finalising assessments. As a result, assessments completed after receipt of DRP directions can no longer be challenged solely on the ground of limitation.

Restoration of Jurisdictional AO's Power to Issue Reassessment Notices

- The expression "Assessing Officer" for reassessment has been expressly defined to mean the Jurisdictional Assessing Officer, excluding the National Faceless Assessment Centre and faceless assessment units. This clarification applies with retrospective effect and is intended to address all contrary interpretations.
- Accordingly, the power to issue reassessment notices now rests exclusively with the Jurisdictional Assessing Officer, notwithstanding any judicial rulings to the contrary. The amendment is deemed to have always been in force, thereby retrospectively validating reassessment notices previously challenged or quashed on jurisdictional grounds, and effectively resolving issues arising from High Court decisions and pending litigation before the Supreme Court.

Transfer Pricing

Clarification on Computation of Time Limit for Passing Transfer Pricing Orders

- The amendment provides a retrospective clarification on the method for computing the 60 days available to the Transfer Pricing Officer (TPO) for passing transfer pricing (TP) orders. Previously, ambiguities existed under the Income-tax Act, 1961, and the Income-tax Act, 2025, regarding whether a rolling day-count or fixed date approach should be applied.
- Under the clarification, the time limit is now linked to fixed statutory cut-off dates, depending on the due date for completion of the final assessment order. These provisions apply retrospectively from 1 June 2007, validating TP orders passed within the specified timelines, even if earlier judicial interpretations had invalidated adjustments due to day-counting errors.

Final Assessment Due Date	Deadline for Passing TP Order	Act Reference
31 March (Non-leap year)	30 January	Both Income-tax Act, 1961 & 2025
31 March (Leap year)	31 January	Both Income-tax Act, 1961 & 2025
31 December	‘01 November	Income-tax Act, 1961
31 December	31 October	Income-tax Act, 2025

- This approach ensures clarity and uniformity in passing TP orders and eliminates disputes arising from previous interpretations of the 60-day computation.

Other Key Updates

Other Key Direct Tax Procedural and Compliance Updates

- **Search Assessment Rationalization:** For persons other than the searched taxpayer, the block assessment period has been confined to the period of the search and the immediately preceding year if the undisclosed income relates only to that period, or to a single tax year if the undisclosed income pertains to one year. This change helps reduce unnecessary compliance and litigation burden.

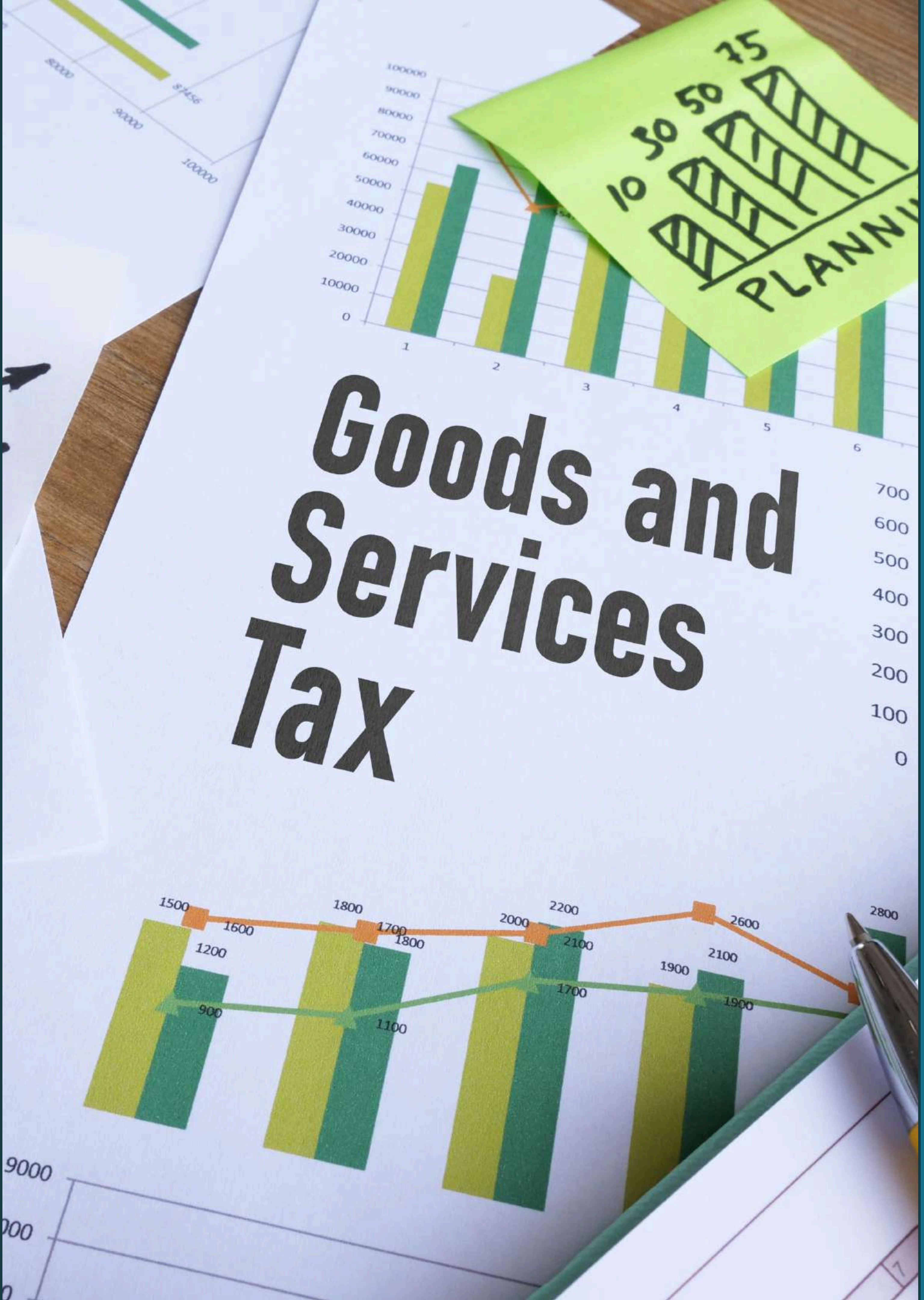
- **Extended Time Limit for Search Assessments:** The time limit for completing block assessments in specified search cases has been rationalized to 18 months from the end of the quarter in which the search is initiated, replacing the earlier 12-month timeline based on the last authorization. This change addresses issues arising from multiple dates in searches involving several parties.

- **Filing of Updated Returns**: The scope for filing updated returns has been expanded, effective 1 March 2026, to allow taxpayers to file them even after reassessment proceedings have commenced, provided the return is submitted within the time specified in the reassessment notice, and an additional 10% tax over the applicable rate is paid. Updated returns are also permitted for loss returns if they reduce the loss claimed, and no penalty applies to additional income disclosed through such returns.

- **Immunity under Black Money Act:** Immunity from prosecution for non-disclosure of foreign assets (excluding immovable property) with an aggregate value below INR 20 lakh will be extended retrospectively from 1 October 2024.

- **Crypto Asset Compliance Penalty:** New penalties have been introduced for non-furnishing or furnishing inaccurate statements on crypto-asset transactions: INR 200 per day for non-filing and INR 50,000 for inaccurate or uncorrected information.

- **Streamlined Advance Pricing Agreement (APA) Process:** Unilateral APAs for IT/ITeS services will be fast-tracked with a target completion of two years, extendable by six months at the taxpayer’s request, and associated enterprises will be allowed to file modified returns for the years covered under the APA.



Indirect Taxes

Goods & Service Tax

Place of Supply for Intermediary Services Rationalised

- Section 13(8)(b) of the IGST Act, 2017 is proposed to be omitted. The special place-of-supply rule for intermediary services is proposed to be removed, and such services will now follow the general rule based on the location of the service recipient, removing the earlier requirement to consider the supplier's location.

Post-Sale Discounts & Credit Notes

- Post-sale discounts will no longer need to be linked to an agreement. Adjustments can be made through credit notes, ensuring proper reversal of Input Tax Credit by the recipient.

Refunds Simplification

- Inverted Duty Structure: 90% provisional refund facility extended to refunds of unutilised ITC arising from the inverted duty structure.
- Exports on Payment of Tax: Removal of threshold limits for sanction of refund claims

Tribunal Empowerment

- The Central Government can now empower existing Tribunals to hear certain appeals until the National Appellate Authority is constituted, with specific provisions not applying to these Tribunals. These amendments will take effect from 1 April 2026.

Customs

Basic Customs Duty Exemptions

The Budget proposes a series of targeted exemptions from Basic Customs Duty (BCD) aimed at strengthening healthcare access, boosting domestic manufacturing, and supporting strategic sectors:

- **Healthcare**: BCD exemptions have been granted on 17 specified drugs and medicines for cancer treatment, along with exemptions for personal imports of drugs, medicines, and Food for Special Medical Purposes (FSMP) for 7 additional rare diseases.

- **Electronics Manufacturing**: Certain parts for microwave oven manufacturing are now exempt from BCD.

- **Aviation & Defence**: Exemptions extend to components and parts for civilian, training, and other aircraft, as well as raw materials for aircraft parts used in MRO requirements of Defence units.

- **Energy transition and security**: Sodium antimonate for solar glass production is exempted, and the existing BCD exemption on capital goods for lithium-ion cell manufacturing now includes batteries for energy storage systems.

- **Critical Minerals**: Capital goods required for processing critical minerals in India are BCD-exempt.

- **Nuclear Power**: The existing exemption for imports for nuclear power projects is extended till 2035 and expanded to cover all nuclear power plants, regardless of capacity.

Customs

Export Promotion Measures

The Budget introduces a range of measures aimed at boosting export competitiveness, easing compliance, and providing targeted support to key export sectors:

- **Seafood Exports**: The limit for duty-free imports of specified inputs used in seafood processing for export has been increased from 1% to 3% of the FOB value of the previous year's export turnover.

- **Footwear Sector**: Duty-free import benefits have been expanded to cover exports of shoe uppers, in addition to leather and synthetic footwear.

- **Extended Export Timelines**: The export period for final products has been extended from 6 months to 1 year for exporters of leather or textile garments, as well as leather and synthetic footwear.

- **Support to Indian Fishermen**: Fish caught in the Exclusive Economic Zone (EEZ) or on the High Seas will be eligible for duty-free import. Further, landings at foreign ports will be treated as exports, subject to safeguards to prevent misuse.

- **Courier Exports**: The existing ₹10 lakh per-consignment value cap on courier exports has been removed, facilitating higher-value shipments.

Trade Facilitation & Compliance Reforms

The Budget proposes a comprehensive set of reforms to simplify customs procedures, enhance certainty, and move towards a trust-based and technology-driven customs ecosystem:

- **SEZ Relief:** One-time relief has been granted to SEZ manufacturing units, allowing limited sales to the Domestic Tariff Area (DTA) at concessional duty rates, subject to export-linked thresholds.

Customs

Trade Facilitation & Compliance Reforms

- **Personal Imports:** Customs duty on personal imports has been rationalised from 20% to 10%, reducing the tax burden on individual importers.
- **Deferred Duty Payment:** The deferred duty payment facility has been expanded to trusted manufacturers and importers, with the deferral period for Authorised Economic Operators (AEO) Tier 2 and Tier 3 entities extended from 15 days to 30 days.
- **Advance Rulings:** The binding validity of Advance rulings issued by Customs has been extended from 3 years to 5 years.
- **Customs IT Modernisation**: A Customs Integrated System (CIS) is proposed to be implemented within two years, creating a unified and scalable platform for all customs processes.
- **Risk Management & Scanning:** Non-intrusive scanning, supported by advanced imaging and AI-based risk assessment, will be rolled out in phases to scan all containers at major ports.
- **Trust-Based Framework:** Regular importers with proven and reliable supply chains will be recognised under the risk management system, resulting in reduced physical inspections and fewer repetitive checks.
- **System-Driven Alerts:** Automated alerts will be generated for Customs authorities upon filing of the Bill of Entry and arrival of goods for trusted importers.
- **Warehousing Reforms:** The customs warehousing framework will shift to a warehouse-operator-centric model, based on self-declarations and simplified compliance requirements.
- **Export Facilitation:** Factory-to-port clearance for export cargo using electronic sealing has been enabled to expedite exports.
- **Central Excise Relief:** The entire value of biogas has been excluded from excise duty on biogas-blended compressed natural gas (CNG).

Infrastructure & Urban Development

INR 5,000 crores per CER*

*Allocated for urban infrastructure for a period of 5 years.

INR 20,000 crores for CCUS scheme

Infrastructure & Urban Development

- **Infrastructure Financing Platforms:** Continued thrust on large-scale public infrastructure development through InVITs, REITs, NIIF and NABFID, with focus on cities having populations above 5 lakh, including Tier II and Tier III centres.

- **Infrastructure Risk Guarantee Fund:** Establishment of a dedicated fund to provide prudently calibrated partial credit guarantees to lenders financing infrastructure projects.

- **CPSE Asset Monetisation via REITs:** Recycling of real estate assets of CPSEs through the creation of dedicated REIT structures.

- **New Dedicated Freight Corridors:** Development of new freight corridors connecting Dankuni in the East to Surat in the West to strengthen logistics efficiency.

- **National Waterways Expansion:** Operationalisation of 20 new National Waterways linking mineral-rich regions, industrial hubs and ports.

- **Ship Repair Ecosystem:** Setting up of a domestic ship repair ecosystem to support inland waterways transportation.

- **Coastal Cargo Promotion:** Launch of a Coastal Cargo Promotion scheme to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047.

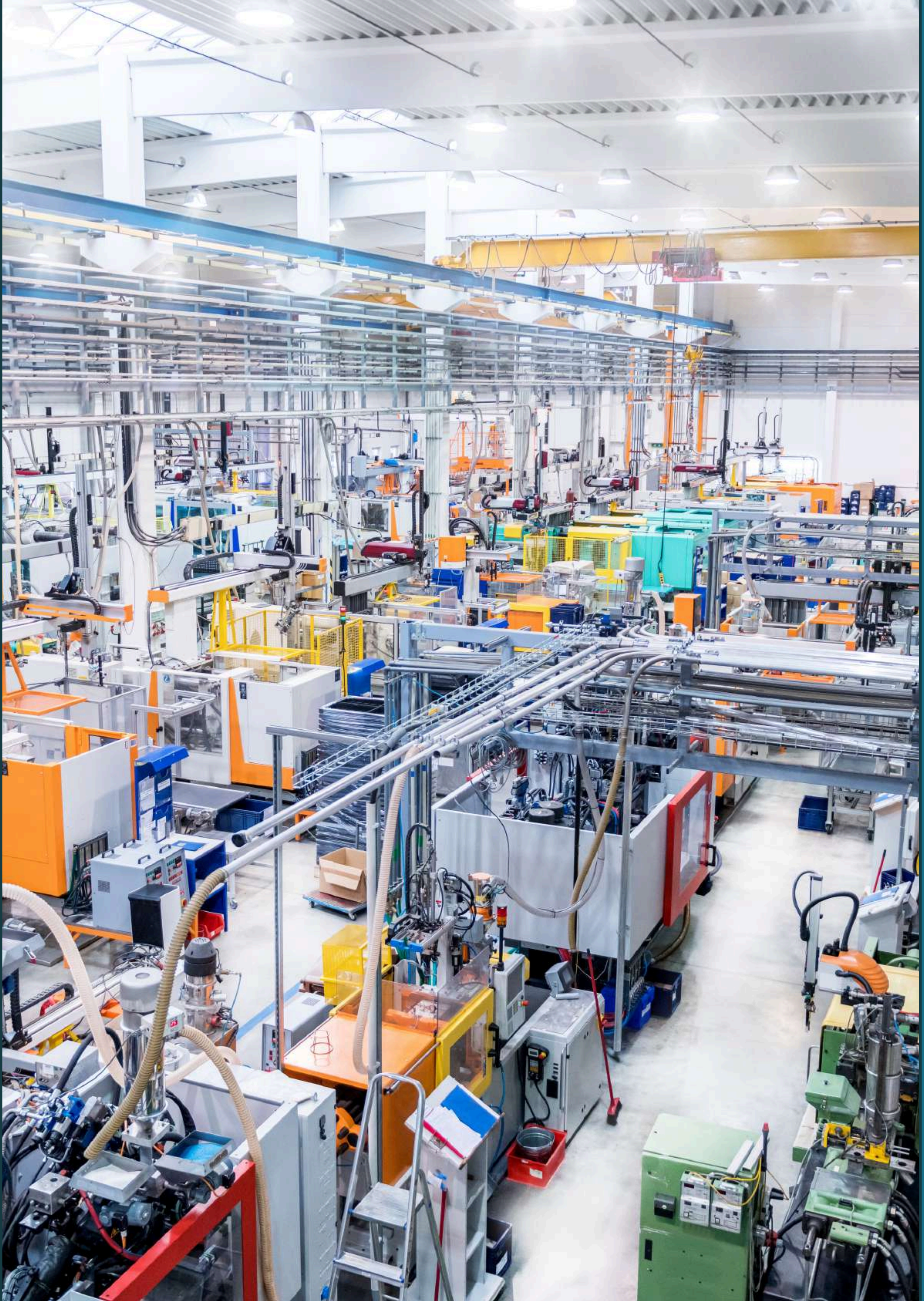
- **City Economic Reserves ("CER"):** Allocation of INR 5,000 crores per CER over a period of 5 years for implementing their plans through a challenge mode with a reform-cum-results based financing mechanism.

- **Seaplane VGF Scheme:** Introduction of a Viability Gap Funding scheme for seaplanes to promote indigenised manufacturing.

- **SASCI Support to States:** Provision of INR 2 lakh crore financial support to states under the SASCI Scheme.

Infrastructure & Urban Development

- **Purvodaya Initiative:** Development of the Integrated East Coast Industrial Corridor under the Purvodaya programme.
- **Carbon Capture Utilisation and Storage (CCUS) Scheme:** Launch of a CCUS scheme with an outlay of INR 20,000 crore to promote decarbonisation.
- **Biogas Excise Duty Relief:** Exclusion of the entire value of biogas from Central Excise duty on biogas-blended CNG.
- **Urban Agglomeration Development:** Measures to enhance the economic potential of cities by leveraging agglomeration benefits.
- **Tier II & III Cities and Temple Towns:** Focused development of Tier II, Tier III cities and temple towns to drive balanced regional growth.
- **Growth Connectors – 7 High-Speed Rail Corridors:** Development of seven environmentally sustainable high-speed rail corridors connecting major city pairs, including Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi and Varanasi-Siliguri.



Manufacturing

- INR 10,000 crores for Biopharma Shakti and Containers
- INR 40,000 crores for Electronic Components

Manufacturing

A focused push is proposed to scale up manufacturing across seven strategic and frontier sectors, strengthening domestic capabilities and enhancing global competitiveness.

- **Biopharma SHAKTI:** The government proposes the Biopharma SHAKTI initiative with an outlay of INR 10,000 crore over five years to establish India as a global manufacturing hub for biologics and biosimilars. This strategy includes creating three new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading seven existing ones, which will help to create over 1,000 accredited Indian Clinical Trial sites.
- **India Semiconductor Mission (ISM):** Building on previous success, India Semiconductor Mission (ISM) 2.0 will be launched to focus on producing equipment and materials, designing full-stack Indian IP, and fortifying supply chains. Focus on industry-led research and training centres to develop technology and a skilled workforce.
- **Electronics Components Manufacturing Scheme:** The Electronics Components Manufacturing Scheme, launched in April 2025 with an outlay of INR 22,919 crore, already has investment commitments at double the target. Proposed to increase the outlay to INR 40,000 crore to capitalise on the momentum.
- **Scheme for Rare Earth Permanent Magnets:** A Scheme for Rare Earth Permanent Magnets was launched in November 2025. Proposed 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.
- **Dedicated Chemical Parks:** To enhance domestic chemical production and reduce import dependency, the government will launch a Scheme to support States in establishing three dedicated Chemical Parks, through a challenge route, on a cluster-based plug-and-play model.
- **Strengthening Capital Goods Manufacturing: ·**

1. Hi-Tech Tool Rooms (2 locations): CPSEs will establish two digitally enabled, automated tool rooms for designing, testing, and manufacturing high-precision components at scale and lower cost.
2. Construction & Infrastructure Equipment (CIE) Scheme: A new scheme will be introduced to strengthen domestic manufacturing of high-value, technologically advanced construction and infrastructure equipment. This can range from lifts in a multi-story apartment, fire-fighting equipment, large and small, to tunnel-boring equipment for building metros and high-altitude roads.
3. Container Manufacturing Scheme: A dedicated scheme for globally competitive container manufacturing will be launched with a budgetary allocation of INR 10,000 crore over five years.

Manufacturing

- **Integrated Programme for the Textile Sector (5 Sub-Parts) :**
    1. National Fibre Scheme: To promote self-reliance across natural fibres (silk, wool, jute), man-made fibres, and new-age fibres.
    2. Textile Expansion and Employment Scheme: To modernise traditional textile clusters through capital support for machinery, technology upgradation, and common testing and certification facilities.
    3. National Handloom and Handicraft Programme: To consolidate existing schemes and provide targeted support to weavers and artisans.
    4. Tex-Eco Initiative: To promote sustainable, environmentally responsible, and globally competitive textiles and apparel.
    5. Samarth 2.0: To upgrade and modernise the textile skilling ecosystem through collaboration with industry and academic institutions.
- **Mega Textile Parks for Technical Textiles:** Mega Textile Parks are proposed to be set up under the challenge mode, with a focus on enhancing value addition in technical textiles.
- **Mahatma Gandhi Gram Swaraj Initiative**: The Mahatma Gandhi Gram Swaraj initiative is proposed to strengthen khadi, handloom, and handicrafts by improving global market linkages and branding, streamlining training and skilling, enhancing quality in processes and production, and supporting weavers, village industries, the **One District One Product initiative,** and rural youth.
- **Sports Goods Manufacturing Initiative**: A dedicated initiative is proposed to position India as a global hub for high-quality, affordable sports goods by promoting manufacturing, research, and innovation in equipment design and material sciences.
- **Rejuvenation of Legacy Industrial Clusters**: A new scheme aims to revive 200 legacy industrial clusters by upgrading their infrastructure and technology to improve cost-competitiveness and efficiency.
- **Tax Reforms and Incentives**: Special Economic Zones (SEZs): Eligible manufacturing units in SEZs will be permitted to sell to the Domestic Tariff Area (DTA) at concessional duty rates as a one-time measure.

MSME

- INR 10,000 crores for SME Growth Fund
- INR 2,000 crores Top up Fund for Self Reliant India Fund

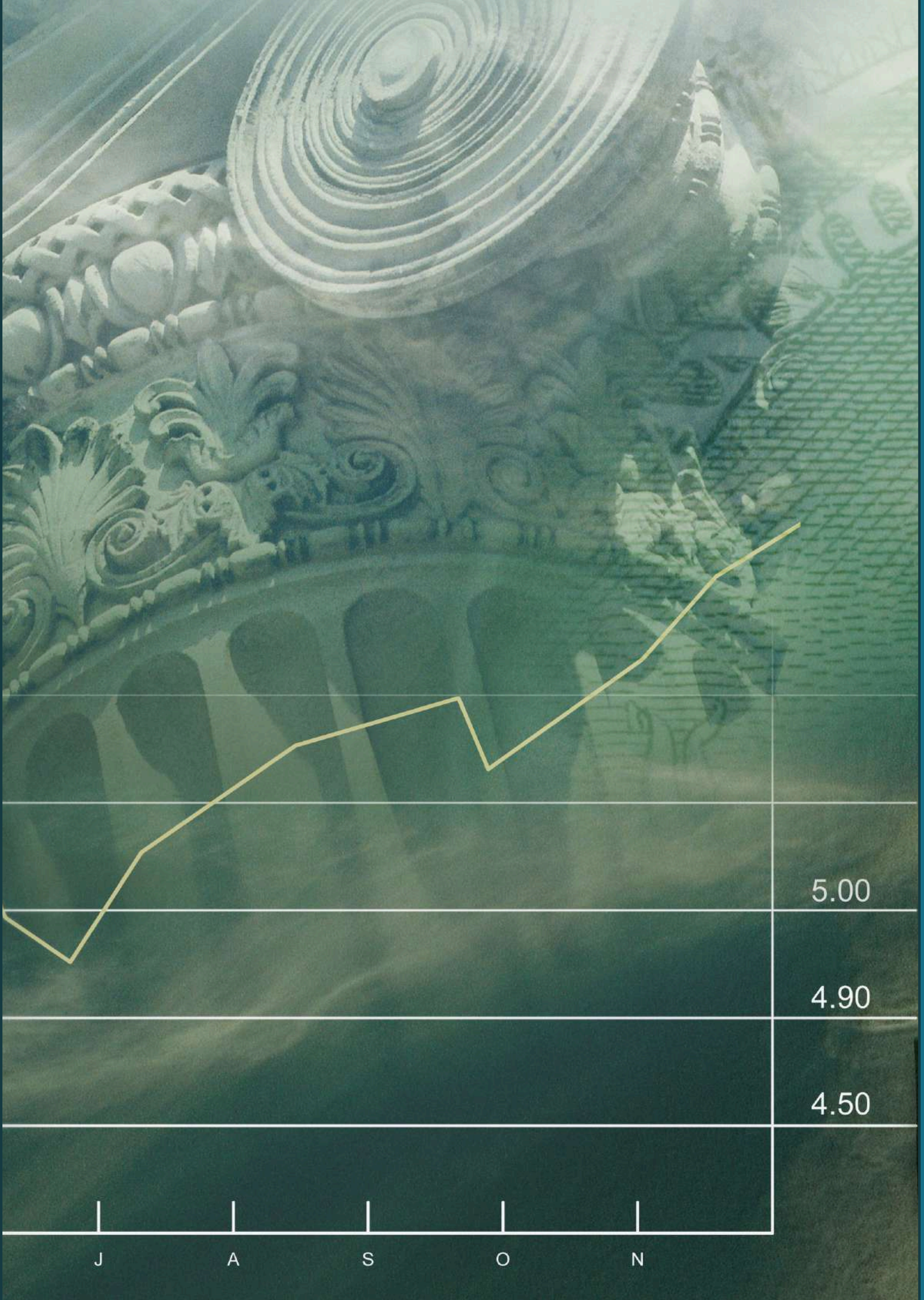
MSME

Aimed at creating champion MSMEs, a three-pronged approach is proposed -

- **Equity Support:**
  1. Dedicated INR 10,000 crore SME Growth Fund to create future Champions, incentivising enterprises based on select criteria.
  2. Top up the Self-Reliant India Fund (2021) with INR 2,000 crore to continue support to micro enterprises.

- **Professional Support**:
  1. Government to facilitate Professional Institutions such as ICAI, ICSI, ICMAI to develop 'Corporate Mitras' especially in Tier-II and Tier-III towns, to help MSMEs meet compliance requirements at affordable costs.

- **Liquidity Support through Trade Receivables Discounting System (TReDS)**
  1. Over INR 7 lakh crore unlocked for MSMEs; Budget proposes measures to fully scale its potential.
  2. Trade Receivables Discounting System (TReDS) to be the default settlement platform for all Central Public Sector Enterprises (CPSE) purchases from MSMEs.
  3. Introduced a credit guarantee support mechanism through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for invoice discounting on the TReDS platform.
  4. GeM (Government e-Marketplace)–TReDS linkage to enable faster, cheaper financing through better visibility of government receivables.
  5. Introduced TReDS receivables as asset-backed securities to develop a secondary market and enhance liquidity and settlement of transactions.



Financial Sector

- INR 100 crores incentive for issuance of INR 1,000 crores Municipal Bonds

Financial Sector

I. Banking, Financial Services, and Insurance (BFSI):

- A **High-Level Committee on Banking** is proposed to be set up to review the banking sector and align it with India's vision of Viksit Bharat.
- In order to achieve scale and improve the efficiency of **Public Sector NBFCs**, a **Restructuring** of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) is proposed.
- In addition to the current scheme under AMRUT, which incentivises issuances up to INR 200 crore, **municipal corporations issuing bonds** worth more than INR 1,000 crore in a single tranche will receive a government incentive of INR 100 crore.
- To **deepen India's corporate bond market**, a market-making framework and total return swaps (TRS) are proposed to be introduced.
- For **investments in listed equity instruments by individual PROIs**, the limits are proposed to be raised from 5% to 10% of paid-up capital per investor, with an overall investment limit for all individual PROIs from 10% to 24%.
- **Loan-linked capital subsidy support scheme** for the establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories, and breeding facilities in the private sector.

II. International Financial Services Centre (IFSC):

- **Tax holiday period** for IFSCs is **proposed to be extended** from the existing 10 consecutive years out of 15 years to 20 consecutive years out of 25 years, and for OBUs, from 10 years to 20 years, commencing from the relevant tax year. This measure is likely to benefit the aircraft and shipping industry.
- However, Units formed by splitting, reconstructing, reorganising, or transferring an existing Indian business will be ineligible for the proposed tax holiday.
- Eligible income of units in the IFSC and OBUs will now be **taxed at a flat rate of 15%** after the tax holiday period. This is applicable from Tax year 2026-27.

Financial Sector

III. Fiscal Matters:

- Centre accepts 16th Finance Commission's recommendation to keep the **vertical share at 41%**, meaning, the states' share of central taxes shall be at 41% of the divisible pool of taxes for the 2026-31 period. For FY 2026–27, a provision of INR 1.4 lakh crore has been created for allocation to the states, prioritising fiscal stability and predictability.

- **Debt-to-GDP ratio** is targeted at 50% of the GDP (+/- 1%) by the 2030-31 period. As per the Revised Estimates (RE) for FY 2025-26, the ratio stands at 56.1%, while the Budgeted Estimates (BE) for FY 2026-27 indicate a marginal decline to 55.6%, gradually easing the debt burden.

- Fiscal deficit is estimated at 4.4% of GDP in RE 2025-26, at par with BE 2025-26, and is further projected to ease to 4.3% in BE 2026–27.

IV. Foreign Exchange Management (Non-debt Instruments) Rules:

- **FEMA** (Non-Debt Instruments) **Rules to be overhauled** to make it more foreign investment-friendly.

Education & Rural Development

Proposed Expenditure of INR 1,39,289 for Education.

Proposed Expenditure of INR 2,73,108 crores for Rural Development

Education

- **University Townships**: The government will support states through the challenge route to create five university townships, featuring planned academic zones for colleges, skill centers, and residential complexes.

- **STEM Support for Women**: To overcome the challenge of prolonged hours of study and laboratory work, the government, with the help of VGF/ Capital structure,e will establish a girls' hostel in Higher Education STEM institutions in every district.

- **AVGC Sector**: To support the Animation, Visual Effects, Gaming, and Comics industry and to achieve two million professionals by 2030, the budget proposes setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.

- **Committee for 'Education to Employment and Enterprise'**: A high-powered Standing Committee will be established to recommend measures that align education with the jobs and skill requirements of the Services Sector, including the impact of AI.

- **Medical and Allied Health**: The budget proposes upgrading existing institutions and establishing new ones for Allied Health Professionals (AHPs) across ten disciplines (optometry, radiology, anesthesia, etc.) with a target to train 1 lakh professionals over the next five years.

- **Caregiver Training**: A program will be developed to train 1.5 lakh multiskilled caregivers for geriatric and allied care.

- **Design Sector**: Setting up of a new National Institute of Design through the Challenge route in the eastern region of India.

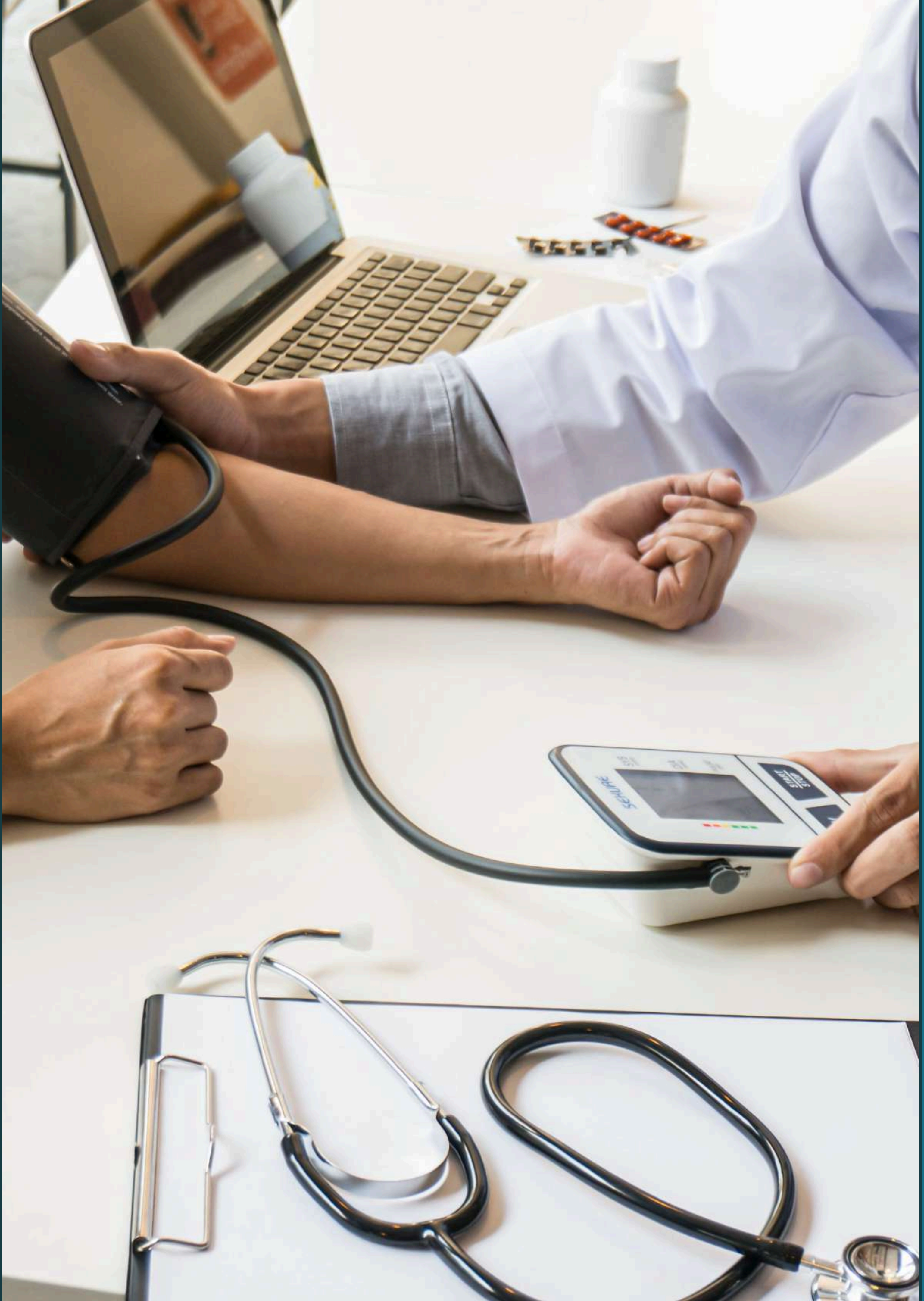
- **Astrophysics and Astronomy Sector**: The Government will set up or upgrade four major telescope infrastructure facilities in the National Large Solar Telescope, the National Large Optical-infrared Telescope, the Himalayan Chandra Telescope, and the COSMOS-2 Planetarium to promote astrophysics and astronomy through immersive experiences.

Education

- **Divyangjan Skill Scheme**: Ensuring opportunities for a dignified life for every group of people with disabilities through industry-relevant and specialized training.
- **Divyang Sahara Scheme**: Supporting the Artificial Limbs Manufacturing Corporation of India (ALIMCO) to enhance production of assistive devices, invest in research and development, and integrate AI technologies
- **Veterinary Colleges**: Loan-linked capital subsidy support scheme for the establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories, and breeding facilities in the private sector.

Rural Development

- SHE-Marts for Rural Women-Led Enterprises: After the success of the Lakhpati Didi Programme, the Government will help women move from credit-based livelihoods to owning enterprises by setting up community-owned Self-Help Entrepreneur (SHE) Marts within cluster-level federations, supported by innovative financing.



Healthcare

Proposed Expenditure of INR 1,04,599 crores

Healthcare

- **Allied Health Professionals (AHPs):** Existing institutions will be upgraded and new AHP Institutions established in the private and Government sectors. This will cover 10 selected disciplines, including optometry, radiology, anesthesia, OT Technology, Applied Psychology, and Behavioural Health, and add 100,000 AHPs over the next 5 years

- **Regional Medical Hubs:** Setting up of five regional medical hubs in partnership with the private sector.

- **Integrated Healthcare Complexes:** Development of integrated healthcare complexes comprising medical, educational, and research facilities.

- **Medical Value Tourism Ecosystem:** Inclusion of AYUSH centres, medical value-tourism facilitation, diagnostics, post-treatment care, and rehabilitation infrastructure within healthcare complexes.

- **New All India Institutes of Ayurveda:** Establishment of three new All India Institutes of Ayurveda to strengthen traditional medicine education and research.

- **AYUSH Infrastructure:** Upgradation of AYUSH pharmacies and drug-testing laboratories to higher certification and quality standards.

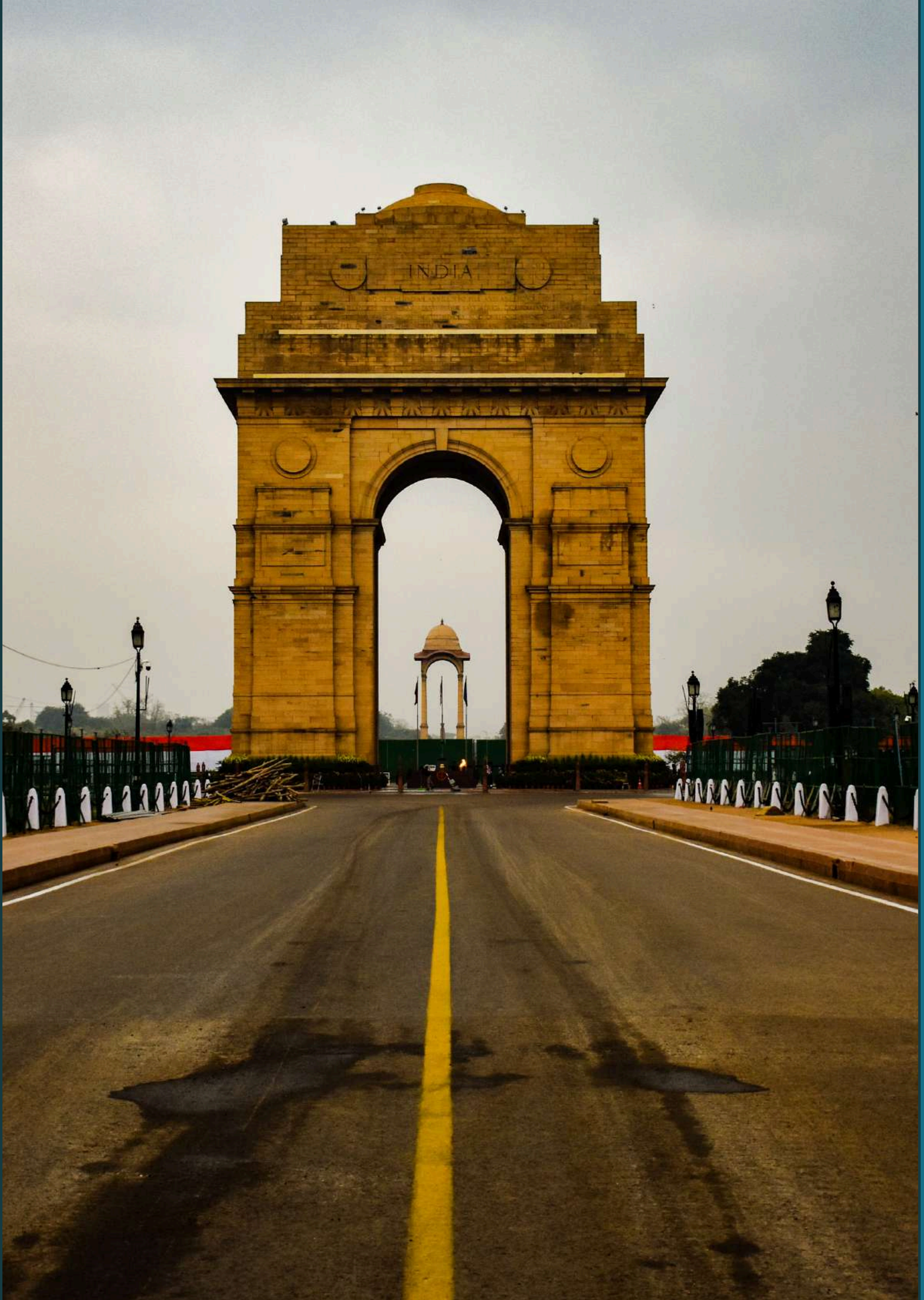
- **WHO Global Traditional Medicine Centre:** Strengthening of the WHO Global Traditional Medicine Centre at Jamnagar for evidence-based research, training, and global awareness in traditional medicine.

Agriculture

Proposed expenditure of INR 1,62,671 crores

Agriculture

- **Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources):** Launch of a multilingual AI platform integrating AgriStack portals and ICAR-recommended agricultural practices with advanced AI systems to support farmers.
- **Fisheries Development & Tax Reforms:** Development of 500 reservoirs and Amrit Sarovars, promotion of coastal fisheries through start-ups, women-led groups, and Fish FPOs, and tax relief by making fish caught in the EEZ or High Seas duty-free, with foreign landings treated as exports.
- **Animal Husbandry Boost**: Promote rural and peri-urban employment by supporting entrepreneurship through credit-linked subsidies, modernising livestock enterprises, integrating dairy and poultry value chains, and creating Livestock Farmer Producer Organisations.
- **Supporting High Value Agriculture**: The Government will promote high-value crops such as coconut, sandalwood, cocoa, and cashew in coastal regions to diversify farm outputs and increase farmer incomes, support Agar trees in the North-Eastern region, and encourage cultivation of almonds, walnuts, and pine nuts in hilly areas to generate new income and employment opportunities.
- **Coconut Promotion Scheme**: Launch of a dedicated scheme to increase coconut production and productivity by replacing old and unproductive trees with improved varieties in major coconut-growing states.
- **Indian Cashew & Cocoa Programme**: Introduction of a dedicated programme to promote self-reliance in raw cashew and cocoa production and processing, boost exports, and develop Indian cashew and cocoa as premium global brands by 2030.
- **Sandalwood Cultivation Initiative**: In partnership with State Governments, focused cultivation and post-harvest processing of sandalwood will be promoted to revive the Indian sandalwood ecosystem.
- **Horticulture Expansion Programme**: A dedicated programme to support rejuvenation of old orchards and high-density cultivation of walnuts, almonds, pine nuts,s and agar trees, enhancing farmer incomes and creating value-addition opportunities for youth.



Tourism

Proposed expenditure on Developing Northern eastern region INR 6,812 crores

Tourism

- **Medical Tourism Hubs**: The government proposes to support states in establishing five regional medical value tourism hubs, in partnership with the private sector. These integrated complexes will include dedicated AYUSH centres, Medical Value Tourism Facilitation centres and infrastructure for diagnostics, post-care and rehabilitation.

- **Cultural Destination Development**: Fifteen archaeological sites, including Sarnath and Hastinapur, etc., will be developed into vibrant, experiential cultural destinations.

- **Digital Documentation Grid**: A National Destination Digital Knowledge Grid will be established to digitally document all places of spiritual and heritage significance.

- **Buddhist Circuit Initiatives**: A new scheme is being launched for the integrated development of the Buddhist Circuit,s specifically in the North-East Region. It will also cover preservation of temples and monasteries, pilgrimage interpretation centres, connectivity and pilgrim amenities.

- **Professional Upskilling**: A pilot scheme will be launched to upskill 10,000 tourist guides at 20 iconic tourist sites through a 12-week, standardised hybrid training programme, in collaboration with an Indian Institute of Management.

- **National Institute of Hospitality**: To set up an institution by upgrading the existing National Council for Hotel Management and Catering Technology.

- **Purvodaya Initiative**: Development of five tourism destinations in the Purvodaya States to promote tourism-led growth in the eastern region.

- **Promotion of Eco-Tourism and Nature-Based Experiences**: Development of ecologically sustainable trekking, turtle and bird-watching trails across the Himalayas, Eastern and Western Ghats, coastal regions like Odisha, Karnataka, etc, and Pulicat Lake to promote responsible nature-based tourism.

- **Global Big Cat Summit**: India is set to host the first-ever Global Big Cat Summit, where heads of governments and ministers from 95 range countries will deliberate on collective strategies for conservation.

Thank You

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