

# POST BUDGET MEMORANDUM

THE UNION BUDGET 2026-27

Brahmayya & co.

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# 01 | INTRODUCTION

The Union Budget 2026–27 marks a significant stage in India’s fiscal and legislative journey. Presented against a backdrop of global trade realignments, supply-chain reconfiguration and rapid technological advancement, the Budget reflects a calibrated approach that seeks to combine structural reform with macroeconomic stability. In this context, the Finance Bill, 2026 assumes particular importance, as it not only gives effect to the financial proposals of the Central Government but also operationalises the Income-tax Act, 2025 with effect from 1 April 2026.

The commencement of the Income-tax Act, 2025 represents one of the most consequential reforms in India’s direct tax regime in over six decades. The transition from the Income-tax Act, 1961 to a newly codified statute is designed to simplify legislative drafting, reorganise provisions for improved clarity, eliminate redundancies and align the tax framework with a technology-driven administrative environment.

Accordingly, the Finance Bill, 2026 must be viewed not merely as an annual fiscal instrument, but as a legislative bridge facilitating a structural realignment of the tax architecture. The coming financial year will therefore be critical in managing the transition between legacy provisions and the new statutory framework.

The strategic direction of the Budget is anchored in **three core principles** that define the Government’s economic approach:

- ▶ To accelerate and sustain economic growth by enhancing productivity, competitiveness and resilience amid global volatility.
- ▶ To fulfil citizen aspirations by strengthening capabilities and enabling meaningful participation in India’s development trajectory.
- ▶ To ensure inclusive development, providing equitable access to opportunities across regions, sectors and communities.

These guiding principles are reflected in policy initiatives relating to manufacturing expansion, semiconductor and biopharma missions, infrastructure development, services sector deepening, MSME support, technology adoption and skill enhancement.

Positioned as a **“Yuva Shakti-driven”** Budget, the financial statement draws inspiration from engagement with young leaders and emphasises innovation, enterprise and demographic capability as engines of sustained growth. The policy architecture signals a shift toward productivity enhancement and institutional strengthening, aligning demographic potential with sectoral diversification and technological advancement.

Notwithstanding its reform agenda, the Budget reaffirms fiscal discipline as a central policy objective. The fiscal deficit in BE 2026-27 is projected at 4.3% of GDP, consistent with the path of gradual debt stabilisation. Public capital expenditure continues at elevated levels, indicating a calibrated balance between growth stimulation and macroeconomic prudence. Revenue measures, including calibrated surcharge structures and rationalisation of compliance mechanisms, are positioned within a broader framework aimed at ensuring revenue predictability while reducing structural inefficiencies in administration.

Within the domain of direct taxation, the Finance Bill, 2026 introduces important reforms relating to rate prescription under the new statutory regime, rationalisation of penalty and prosecution provisions, integration of assessment and penalty proceedings, extension of updated return mechanisms and the introduction of a targeted foreign asset disclosure scheme.

Collectively, these measures suggest a transition toward a compliance ecosystem that is structured, technology-enabled and procedurally integrated. For taxpayers and professionals, the transition year will require careful attention to interpretational issues, procedural modifications and the interplay between the repealed and newly enacted provisions.

While the legislative framework for reform has been articulated, the ultimate impact of the Union Budget 2026–27 will depend on implementation. The extent to which statutory amendments translate into administrative efficiency, compliance simplicity and enhanced certainty will determine the long-term credibility of the reform cycle.

## 02 | DIRECT TAX PROPOSALS

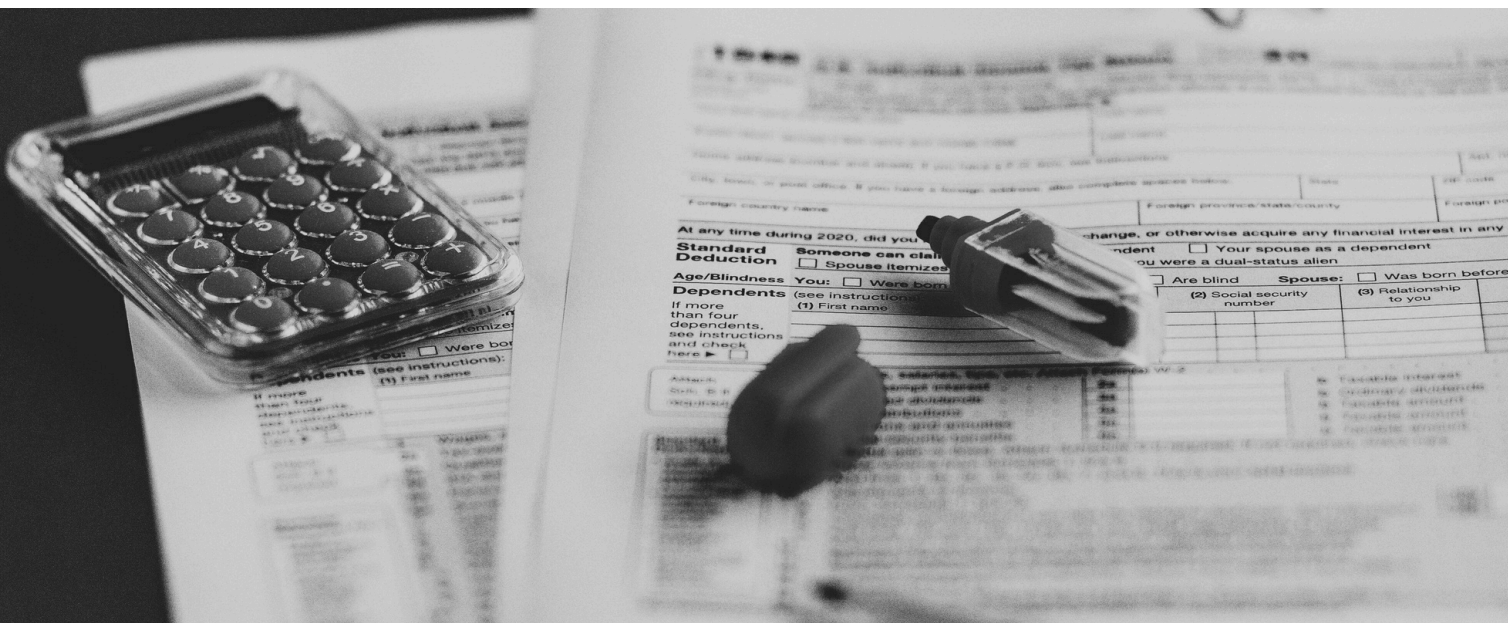
The Direct Tax proposals under the Union Budget 2026–27 reflect a structured recalibration of India's tax framework, aimed at simplifying compliance, reducing litigation exposure and aligning fiscal policy with emerging economic priorities. Through the Finance Bill, 2026, tax rates are prescribed under both the transitional provisions of the Income-tax Act, 1961 and the newly operational Income-tax Act, 2025, marking a significant legislative transition.

The continuation of the calibrated surcharge regime and the 4% Health and Education Cess underscores revenue stability within a disciplined fiscal framework. Simultaneously, the introduction of a targeted Foreign Asset Disclosure Scheme, rationalisation of penalty and prosecution provisions, integration of assessment processes and refinement of return filing mechanisms signal a move toward a more structured and technology-enabled compliance ecosystem.

This publication seeks to examine the proposals of the Union Budget 2026–27 and the Finance Bill, 2026 in a structured and analytical manner, focusing on legislative intent, interpretational clarity and practical implications for corporates, professionals and other stakeholders navigating this transitional phase in India's fiscal regime.

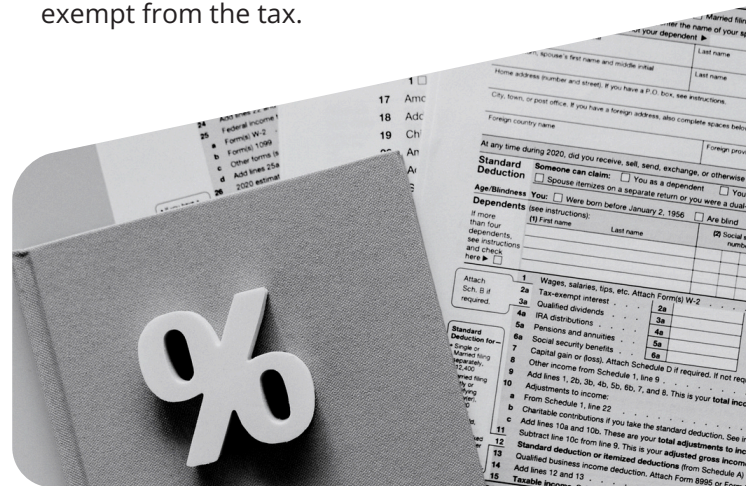
Targeted incentives and clarifications for sectors such as IFSC, data centres, co-operatives and digital infrastructure further demonstrate alignment between tax policy and strategic economic objectives. Collectively, these measures indicate a shift toward certainty, procedural integration and sector-focused growth within India's evolving direct tax architecture.

The **Income Tax Act, 1961 ("the erstwhile Act")** has been **replaced** by the **Income Tax Act, 2025 ("the Act")** with effect from 1<sup>st</sup> April 2026 ("**effective date**"). The amendments which are discussed in this document are with reference to Income Tax Act, 2025 unless otherwise specifically mentioned giving reference to Sections of **Income Tax Act, 1961 ("the erstwhile Act")** for clarity. The concept of Assessment year has been abolished and replaced by the Tax Year in Income Tax Act, 2025, which means Financial Year.



## A. PERSONAL TAXATION

- There are no changes in the tax rates for Tax Year 2026-27.
- Interest on the Compensation awarded under Motor Vehicles Act, 1988 to the victims or their legal heirs is exempt from tax. Accordingly No Tax is require to be deducted at source in respect of such income.
- Resident Individuals and HUFs are not require to obtain Tax Deduction and Collection Account Number ("TAN") for deducting and depositing TDS while purchasing immovable property from Non Resident. This amendment is effective from 1<sup>st</sup> October 2026.
- Enabling the single declaration submission to the Depository by the eligible investors (resident individual/ HUF), having income below threshold limit of taxable income for non deduction of TDS in respect to income from units of mutual fund, interest from securities and dividend provided that such securities and units are held with Depository and are listed on recognised Stock Exchange. Such Depository are require to furnish such declaration to the prescribed Income tax Authority on a quarterly basis. This amendment is effective from 1<sup>st</sup> April 2027. For HUF's, the single declaration submission is not applicable in respect to dividend income.
- No Income Tax shall be levied on the Income in respect to any award or agreement made under Section 96 (except Section 46) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
- Any income which accrues or arises outside India to Non-Resident Individual ("NRI") visiting India for rendering services in connection with any specified Schemes of Central Government shall be exempt for 5 consecutive tax years, provided that such individual was NRI for a period of 5 consecutive tax years before the tax year in which such individual starts rendering services in India.
- A window of 6 months has been provided to Small Tax Payers to disclose the Foreign Assets and Bank Accounts, which are omitted in pervious years. It also offers limited immunity from penalty and prosecution for undisclosed assets after payment of specified taxes and penalties.
- The prosecution provisions under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ("the Black Money Act") will not apply for non-disclosure of foreign assets, other than immovable property, where the aggregate value is not exceeding INR 20 Lakhs. This amendment is applicable retrospectively from 1<sup>st</sup> October 2024.
- Disability Pension received by the individual, who are invalidated out of Armed Forces service due to bodily disability attributable are exempt from the tax.



- Tax Rates

S.NO	TOTAL INCOME	OLD REGIME*	NEW REGIME**
01	Upto INR 2,50,000	Nil	Nil
02	From INR 2,50,001 to INR 4,00,000	5%	Nil
03	From INR 4,00,001 to INR 5,00,000	5%	5%
04	From INR 5,00,001 to INR 8,00,000	20%	5%
05	From INR 8,00,001 to INR 10,00,000	20%	10%
06	From INR 10,00,001 to INR 12,00,000	30%	10%
07	From INR 12,00,001 to INR 16,00,000	30%	15%
08	From INR 16,00,001 to INR 20,00,000	30%	20%
09	From INR 20,00,001 to INR 24,00,000	30%	25%
10	Above INR 24,00,000	30%	30%

\*Rebate (Section 155): **Up to INR 12,500 if taxable income ≤ INR 5 lakh**

\*\*Rebate (u/s 155 of the Act): **Up To INR 60,000 If Taxable Income ≤ INR 12 Lakh (Effectively Zero Tax Up To INR 12 Lakh Before Cess)**

In old regime, in case of every **individual**, being a **resident** in India

SL. NO.	TOTAL INCOME	RATE OF TAX AGE: 60 TO < 80YEARS	RATE OF TAX AGE: 80YEARS & ABOVE
01	<b>Upto INR 3,00,000</b>	Nil	Nil
02	<b>From INR 3,00,001 to INR 5,00,000</b>	5%*	Nil
03	<b>From INR 5,00,001 to INR 10,00,000</b>	20%	20%
04	<b>Above INR 10,00,000</b>	30%	30%

\*Rebate (Section 155):\* **Up to INR 12,500 if taxable income ≤ INR 5 lakh**

## B. CORPORATE AND DOMESTIC TAXATION

- Entities which are engaged in insurance business other than Life-Insurance Business are allowed to claim deductions in respect of expenditures which are disallowed in earlier years owing to non-deduction/ non-payment of TDS, in the year in which such TDS is paid subsequently.
- The list of minerals in Schedule XII is expanded to include critical minerals, so expenses on prospecting and exploration of these minerals will now be eligible for deduction under Section 51.
- Minimum Alternate Tax ("**MAT**") paid under Old Tax Regime to be treated as Final Tax with no further Credit allowed.
- MAT rate has been reduced to 14% from 15%.
- Existing MAT credit can be set off only in the new regime which is restricted to 25% of tax liability for Domestic Companies and can be further carried forward for 15 years.
- For Foreign Companies, set-off is allowed only to the extent normal tax exceeds MAT for the tax year in which normal tax is higher than MAT.
- The provisions of Tonnage Tax Scheme have been aligned with the provisions of Inland Vessels Act, 2021

## C. TAXATION OF FOREIGN COMPANIES AND NON-RESIDENT

- A sector-focused tax holiday is provided to foreign companies on income accruing/ arising in India from the customers who are procuring services from a specified Indian data centre. The tax holiday is available up to **31 March 2047**. Further, where downstream services are consumed in India, routing through an Indian reseller is compulsory.
- Exemption is provided to Foreign companies on the income earned from supplying capital goods, equipment or tooling to a resident Indian contract manufacturing Company, operating in a **custom bonded area** and producing electronic goods for them. The exemption is available **up to tax year 2030-31**.
- MAT exemption is extended to Non-residents opting for presumptive taxation for two additional specified businesses—**operation of cruise ships** and **providing services/technology for setting up electronics manufacturing facilities in India**.



## D. CAPITAL GAINS

- The exemption from capital gains tax on redemption of Sovereign Gold Bonds to the original individual subscriber who acquires the bonds directly at the time of their initial issuance by the Reserve Bank of India. Further, the benefit will apply only where the individual subscriber continues to hold the bonds uninterrupted until their maturity.
- Securities Transaction Tax

TYPE OF TRANSACTION	EXISTING STT RATE	REVISED STT RATE	BASIS OF LEVY
Sale of an Option in Securities	0.10%	0.15%	On option Premium
Sale of an Option where the Option is Exercised	0.125%	0.15%	On intrinsic value
Sale of a Future in Securities	0.02%	0.05%	On traded value

- Consideration for the Buy-Back of Shares to be taxed as Capital Gains instead of Dividend Income.
- Promoters will be taxed under STCG and LTCG on Buyback of Shares as follows:

NATURE OF GAINS	PROMOTER IS DOMESTIC COMPANY	PROMOTER IS OTHER THAN DOMESTIC COMPANY
<b>LTCG</b>	22% (12.5%+ Additional Tax of 9%)	30% (12.5%+Additional Tax of 17.5%)
<b>STCG</b>	22% (20%+Additional Tax of 2%)	30% (20%+Additional Tax of 10%)

- Non-Promoter Shareholders will be taxed as per normal tax rates applicable

## E. AMENDMENTS IN VARIOUS COMPLIANCES

- The due date for payment of employees contribution has been extended till the due date of filing of Income Tax Return. The deduction will be allowed, even if the payment has been made within the due date of filing of Income Tax Return instead of the due date as per respective Labour Law.
- Obtaining a lower or nil deduction certificate through rule-based automated process for small taxpayers.
- Supply of Manpower to a person to work under his supervision, control or direction is included in the definition of Work to attract the TDS at the applicable rate as it is payment to the Contractor.
- The Due dates for filing of Income Tax Return has been extended from 31<sup>st</sup> July to 31<sup>st</sup> August for following assesseees, who are not liable to file the Transfer Pricing Audit Report:
  - ▶ Assessee having Income From Business and Profession, who are not require to be audited under the Act.
  - ▶ Partners of the Firm, whose accounts are not require to be audited under the Act.

- The time limit for filing of return for above category also has been extended under the erstwhile Act for Assessment Year 2026-27
- The time limit for filing of Revised Return is extended to 12 months from the end of the relevant financial year with applicable fees.
- The eligibility for filing of updated return has been amended, allowing the tax payer to file updated return wherein:
  - Original return was filed for losses and updated return is reducing the losses or reporting the income.
  - Assessment proceedings have been initiated with the payment of additional 10% of aggregate tax liability.

## F. RATIONALISING PENALTY AND PROSECUTION

- The prosecution provisions under various section has been rationalised. The key amendments are as follows:

I	II	III	IV	V	VI
Rigorous imprisonment has been replaced with the simple imprisonment.	Maximum imprisonment has been reduced to 2 years instead of 7 years.	Regarding of punishment has been implemented in proportion of tax evaded.	Tax evaded upto INR 10 Lakhs, only fine has been provided.	Fines are permitted in lieu or in addition of imprisonment.	Certain offences are decriminalised.

- Rationalisation of Penalties into Fee (w.e.f. 01.04.2026):

NATURE OF DEFAULT	FEE STRUCTURE
<b>Failure to get accounts audited</b>	INR 75,000 to INR 1,50,000.
<b>Failure to furnish report under section 172</b>	INR 50,000 to INR 1,00,000
<b>Failure to furnish Statement of Financial Transactions or Reportable Account</b>	INR 500 per day maximum of INR 1,0,000
<b>Continued failure after notice in respect to Statement of Financial Transactions or reportable account</b>	INR 1,000 per day maximum of INR 1,00,000
<b>Failure to furnish the details/ transactions in respect to crypto-assets</b>	INR 200 per day and INR 50,000 for furnishing wrong information/ failure to rectify the information within prescribed timelines.

- Penalty for underreporting of income to be imposed in the assessment order, however the interest will be charged only after disposal of appeal by CIT(A)/ITAT (for appeal against DRP orders).
- Under the erstwhile Income Tax Act, Immunity framework for under-reporting of income is extended to misreporting of income also, subject to payment of 100% additional tax over tax and interest. However, no immunity can be sought by tax payer, if the prosecution proceedings has already been initiated.

## G. RATIONALISATION OF TAX COLLECTED AT SOURCE:

PARTICULARS	EXISTING PROVISIONS	PROPOSED PROVISIONS
<b>Overseas tour programme package</b>	TCS at 5% up to INR 10 lakh and 20% above INR 10 lakh	TCS at a uniform rate of 2%, with simplified structure
<b>LRS – Education and medical treatment</b>	TCS at 5%	TCS reduced to 2%
<b>LRS – Other purposes</b>	20%	20%
<b>Sale of alcoholic liquor for human consumption</b>	TCS at 1%	TCS increased to 2%
<b>Sale of scrap</b>	TCS at 1%	TCS increased to 2%
<b>Sale of minerals (coal, lignite, iron ore)</b>	TCS at 1%	TCS increased to 2%
<b>Sale of tendu leaves</b>	TCS at 5%	TCS reduced to 2%

## H. COOPERATIVE SOCIETY

- Deduction allowed under the new regime for dividends received by co-operative societies from other co-operatives, to the extent distributed to members.
- Notified federal co-operatives allowed deduction (old & new regime) on company dividends for 3 years, for investments made up to 31.01.2026 and distributed to members.
- Profit and Gains from cattle feed and cotton seeds are also allowed deduction under Section 149(2) (b).
- Societies registered under the Multi-State Cooperative Societies Act, 2002 now included in the definition of “co-operative society.”
- TDS will not be applicable on interest (other than interest on securities) paid or credited to co-operative societies engaged in banking, including co-operative land mortgage banks.

## I. SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE

- Both the taxpayer and its AEs can now file a modified return based on the APA.
- This gives AEs the right to correct their income when the APA affects them.
- Return must file the return within 3 months from the end of the month in which the APA is signed.
- All IT-related service segments (IT/ITES, KPO, contract R&D) merged into one unified category: Information Technology Services. A single safe harbour margin of 15.5% is introduced for this unified category. The eligibility limit has been increased from INR 300 crore to INR 2,000 crore.

## J. INTERNATIONAL FINANCIAL SERVICES CENTRE AND OFFSHORE BANKING UNITS

- The tax holiday period has been extended for 20 years out of 25 years as against the existing provision of 10 years out of 15 years for IFSC Units.
- For OBU, the tax holiday period has been extended to 20 years from 10 years.
- The Business Income after the expiry of tax holiday will be taxed at the rate of 15%.

# 03 | INDIRECT TAXES

## A. GOODS AND SERVICES TAX (GST) – LITIGATION AND COMPLIANCE REFORMS

- **Omission of Intermediary Place of Supply Provisions**

Section 13(8)(b) of the IGST Act, which deemed the place of supply for intermediary services to be the location of the supplier, has been omitted. Intermediary services will now be governed by the default place of supply rule under Section 13(2), i.e., the location of the recipient.

Prior to this amendment, intermediary services provided to foreign principals were treated as domestic supplies, resulting in denial of export benefits, levy of IGST, and extensive constitutional litigation.

The amendment overrides judicial precedents such as Material Recycling Association of India v. Union of India (Gujarat High Court) and Dharmendra M. Jani v. Union of India (Bombay High Court), and aligns GST law with destination-based taxation principles.

### Key Takeaways for Industry:

Intermediary services provided to overseas recipients can now qualify as export of services, subject to fulfilment of zero-rating conditions, materially reducing litigation and improving competitiveness of Indian service providers.

- **Rationalisation of Post-Sale Discount Provisions**

Amendments to Sections 15(3) and 34 of the CGST Act remove the requirement that post-sale discounts must be pre-agreed at or before the time of supply. Discounts are now permitted through issuance of credit notes, subject to proportionate ITC reversal by the recipient.

This resolves long-standing disputes where commercially genuine discounts—linked to performance, volume, or turnover—were denied due to absence of prior contractual linkage.

**Key Takeaways for Industry:**

Businesses gain flexibility to structure commercial discounts in line with market practice, while maintaining compliance through disciplined credit note and ITC reversal processes.

- **Refund Reforms and Provisional Refunds**

Provisional refund benefits have been extended to inverted duty structure cases, and the minimum threshold of INR 1,000 for export refunds has been removed.

These measures address chronic cash flow blockages, particularly impacting manufacturers and MSME exporters.

**Key Takeaways for Industry:**

Faster refund processing and removal of monetary thresholds significantly improve liquidity and operational resilience.

- **Interim Appellate Mechanism for Advance Rulings**

Pending constitution of the National Appellate Authority for Advance Ruling, the Central Government is empowered to notify an existing Tribunal to hear appeals arising from conflicting advance rulings, effective 1 April 2026.

**Key Takeaways for Industry:**

Availability of an interim appellate forum enhances legal certainty and reduces exposure to divergent state-level interpretations.

## B. CUSTOMS – TRADE FACILITATION AND CERTAINTY MEASURES

- **Extension of Binding Period for Advance Rulings**

The validity of advance rulings under the Customs Act is proposed to be extended from three to five years, providing greater certainty for long-term import and export arrangements.

**Key Takeaways for Industry:**

Enhanced ruling validity supports investment planning and reduces interpretational disputes.

- **Simplification of Bonded Warehouse Transfers**

Removal of prior permission requirements for inter-warehouse transfers reflects a shift towards self-assessment and risk-based oversight.

**Key Takeaways for Industry:**

Improved logistics efficiency and reduced compliance friction for manufacturing and distribution networks.

## C. CENTRAL EXCISE AND NCCD – POLICY STABILITY WITH TARGETED RATIONALISATION

- **Central Excise and NCCD – Policy Stability with Targeted Rationalisation**

The continuation of concessional excise regimes for fuel products and rationalisation of blended CNG valuation reflect policy stability, while increases in statutory NCCD rates on tobacco products preserve revenue without altering effective duty incidence.

**Key Takeaways for Industry:**

Energy and fuel sectors benefit from predictability, while tobacco manufacturers should monitor changes in statutory rates despite unchanged effective burdens.

## Summary Table – Key Indirect Tax Proposals

AREA	PRE-BUDGET POSITION	POST-BUDGET POSITION	PRACTICAL IMPACT
<b>GST – Intermediary Services (Place of Supply)</b>	Section 13(8)(b) deemed place of supply as location of supplier, treating intermediary services as domestic supplies even when recipient was overseas.	Section 13(8)(b) omitted; default rule under Section 13(2) applies (location of recipient).	Enables classification as export of services, zero-rating and refund eligibility; substantially reduces constitutional and interpretational litigation.
<b>GST – Post-sale Discounts</b>	Discounts allowed only if established at or before time of supply and linked to original invoice; strict denial in many commercial scenarios.	Pre-agreement requirement removed; discounts allowed through credit notes subject to proportionate ITC reversal by recipient.	Aligns GST valuation with commercial reality; reduces valuation disputes and audit objections.
<b>GST – Refund Mechanism</b>	Provisional refunds limited; export refunds subject to minimum threshold of INR 1,000.	Provisional refunds extended to inverted duty structure cases; minimum threshold removed.	Improves liquidity and working capital, particularly for manufacturers and exporters.
<b>GST – Advance Rulings</b>	No appellate forum for conflicting Advance Ruling Authority (AAR) decisions; prolonged uncertainty.	No appellate forum for conflicting Advance Ruling Authority (AAR) decisions; prolonged uncertainty.	Enhances certainty and consistency across States; lowers transaction risk.
<b>Customs – Advance Rulings</b>	Binding validity restricted to three years.	Binding validity extended to five years.	Provides longer-term certainty for supply chain structuring and pricing decisions.
<b>Customs – Bonded Warehousing</b>	Prior permission required for transfer of goods between bonded warehouses.	Permission requirement removed.	Streamlines logistics, reduces dwell time and procedural friction.
<b>Central Excise / NCCD</b>	Concessional regimes subject to periodic sunset clauses and uncertainty.	Concessional structures extended / rationalised.	Ensures policy stability for energy and tobacco sectors.

**D. WHAT BUSINESSES SHOULD DO NOW :**

**ACTION CHECKLIST**



**Assess applicability of GST intermediary amendment:**

Review cross-border service arrangements to determine eligibility for zero-rated supply treatment and initiate refund or restructuring strategies where relevant.



**Revisit post-sale discount frameworks:**

Align commercial discount structures with the amended GST provisions, ensure timely issuance of credit notes, and implement controls for proportionate ITC reversal by recipients.



**Strengthen GST refund processes:**

Identify exposure to inverted duty structures and export-related refunds and prepare to leverage provisional refund mechanisms to improve cash flow.



**Update advance ruling reliance horizon:**

For businesses relying on Customs advance rulings, recalibrate transaction planning to reflect the extended five-year binding period.



**Optimise bonded warehousing operations:**

Review inter-warehouse transfer processes to benefit from removal of prior permission requirements and streamline logistics workflows.



**Evaluate passenger-facing policies:**

Travel, aviation, and hospitality businesses should update customer advisories and internal SOPs in line with the Baggage Rules, 2026.



**Monitor excise and NCCD exposure:**

Energy and tobacco sector entities should reassess pricing, contracts, and compliance systems in light of extended concessional regimes and revised statutory rates.



**Prepare for implementation timelines:**

Track issuance of subordinate legislation, notifications, and circulars to ensure timely operational alignment with Budget proposals.

# 04 | MACRO AND MICRO ECONOMIC

The Union Budget 2026-27 projects total expenditure of INR 53.5 lakh crore (BE), with capital outlay rising to about INR 12.2 lakh crore. Public investment is being frontloaded into infrastructure, agriculture, human capital and strategic industries.

The Union Budget 2026-27 places greater emphasis on policy reforms than on short term populist measures. It focuses on:

➤ Risk-sharing instead of fiscal expansion



➤ Productivity over subsidies

➤ Capability-building over short-term stimulus



By investing in capital projects, skill and technology, and rural incomes, the Government aims to support strong medium-term GDP growth, generate jobs, and move towards its “Viksit Bharat” (Developed India) vision for 2047. The announced policy measures (new tax framework, technology missions, social schemes) reflect current priorities: self-reliance, poverty alleviation and global competitiveness

## A. INFRASTRUCTURE:



The Government has intensified the transport and infrastructure spending:

- Railways to develop seven High-Speed Rail corridors between cities as ‘growth connectors
- 20 new national waterways are to be developed through New Dedicated Freight Corridors
- With emergence of InvIT and REIT, set up of new Infrastructure Risk Guarantee mechanism to support private developers through provision of partial credit guarantees to lenders for development of Tier I and Tier II cities.

This shall support in lowering logistics costs and encouraging trade, and equipping youth with skills.

### POLICY

- Propose Infrastructure Risk Guarantee mechanism to partially de-risk private and PPP projects.
- Continued focus on InvIT and REIT for large scale enhancement of public infrastructure
- Targeted incentives for municipal bond issuance under AMRUT
- Coastal Cargo Promotion Scheme for incentivising shift from road and rail

### Importance

India’s infrastructure gap is due to risk aversion by private capital—especially in assets that take significant time to mature like transport, power, and urban infrastructure. Around the world, high interest rates and erratic capital flows have made private investors cautious.

### PLAN

- Shift from state-led financing to risk-shared financing.
- Crowd-in private capital without expanding fiscal deficit.

### IMPACT

- Faster project execution
- Lower cost of capital
- Enhancing the cargo movement through inland waterways and coastal shipping from present 6% to 12% by 2047
- Strong multiplier effects on employment, logistics efficiency and industrial growth.

## B. AGRICULTURE & RURAL DEVELOPMENT:



The Government aims to increase farmers’ incomes, with special attention to small and marginal farmers. Panchayats are expected to benefit from higher devolution as per indicative recommendations of the 16<sup>th</sup> Finance Commission (~INR 55,900 cr).

### POLICY

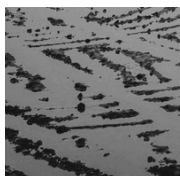
- Proposed Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources) as an AI tool
- Initiatives (i) for integrated development of 500 reservoirs and Amrit Sarovars (ii) strengthen the fisheries value chain in coastal area
- Coconut Promotion Scheme
- Focused support on high value agri produce like coconut, cashew, cocoa, sandalwood, nuts

### Importance

- To integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.
- Provision of Market linkages
- Quality employment opportunities
- Diversify farm outputs

### PLAN

- Shift to AI tools for best practices
- Modernisation of integrated livestock focused value chains



**IMPACT**

- Farm productivity,
- Increased earnings of farmers and
- Enhance export competitiveness
- Transform Indian Cashew and Indian Cocoa into premium global brands by 2030.

**C. EDUCATION AND SKILL DEVELOPMENT:**



New initiatives expand provision for girls’ hostel, particularly to support STEM education, enhanced funding for skill/vocational training (in labs, astronomy, immersive learning etc.), and a High-Powered Education-to-Employment Committee to align curricula with jobs. These measures address skills gaps and youth employment. India aims to create a “global leader” in services (medium to long term objective) through a well-educated workforce.

**POLICY**

- High-Powered Education-to-Employment and Enterprise Standing Committee
- Articulated medium to long term ambition to achieve 10% global share in services exports
- Skill alignment in emerging areas: AI, fintech, health services, tourism
- Five University Townships
- Corporate Mitra

**Importance**

India’s demographic advantage can turn into a liability if skills don’t match industry needs. While manufacturing absorbs labour, services drive productivity, foreign exchange and white-collar employment.

**PLAN**

- Bridge disconnect between academic and industry
- Build globally competitive talent pools
- Support India’s role as a services superpower (IT, finance, healthcare, consulting)
- Design short-term, modular courses and practical tools to help MSMEs comply with the requirements

**IMPACT**

- Improved employability of graduates
- Higher services exports

**D. HEALTH & WELFARE:**



The Health Dept budget funds public health (Ayushman Bharat, vaccination, nutrition) and new schemes like Regional Medical Value Travel (MVT) Hubs to attract foreign patients. Allied health colleges will be expanded, and 1.5lakh caregivers trained in geriatric and rehabilitative care. Such investments improve population health and workforce productivity. Women & Child Dev and Tribal Affairs budgets are also raised, funding nutrition (POSHAN), women’s entrepreneurship (Lakhpati Didi, SHE-Mart stores), and social safety nets.

**POLICY**

- Expansion of Lakhpati Didi Programme to Entrepreneurship through SHE-Marts (Self Help Entrepreneur Marts)
- Expanded support for Girls’ hostels in STEM institutions
- Caregiver training and elderly care services
- Support for establishing five regional medical hubs to promote Medical Value Tourism
- Set up of 3 All India Institutes of Ayurveda



**Importance**

- Inclusive growth is critical economic stability. Women’s labour participation remains below potential.
- Provide diverse job opportunities for health professionals including doctors and AHPs

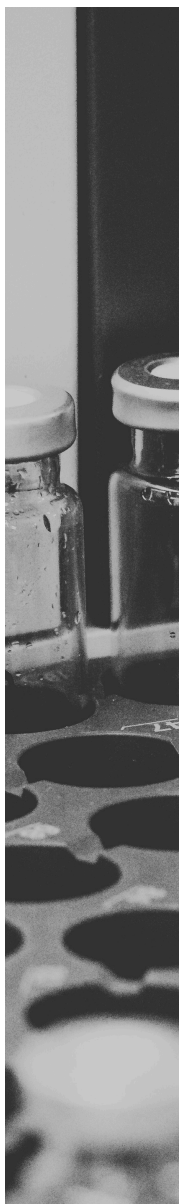
**PLAN**

- Move from welfare to economic empowerment
- Monetise care economy
- Improve female workforce participation

**IMPACT**

- Higher household incomes
- Stronger consumption demand
- Long-term human capital improvement

**E. INDUSTRY & MANUFACTURING:**



Several industrial schemes announced in the Budget involve multi year financial commitments with phased annual allocations to seven “strategic sectors” (pharma, electronics, textiles, etc.) get special push. A Biopharma-SHAKTI program (INR 10,000cr over 5 years) will make India a global vaccine/biologics hub. Electronics manufacturing support is doubled (INR 40,000 cr over multiple years). Dedicated chemical parks (3 in cluster model) and container manufacturing schemes (INR 10,000 cr) are introduced. India Semiconductor Mission (ISM) 2.0 to produce equipment and materials, design Indian IP, and fortify supply chains.

**POLICY**

- Biopharma-SHAKTI programme (INR 10,000 crore over 5 years, subject to phased annual allocations)
- New chemical parks and container manufacturing ecosystem
- Strengthening and scaling of existing electronics manufacturing incentive schemes
- Cluster-based upgradation of legacy MSME industrial hubs
- India Semiconductor Mission (ISM) 2.0
- Rare Earth Corridors
- Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)
- Scheme for Container Manufacturing (INR 10,000 crore over 5 years, subject to phased annual allocations)

**Importance**

Shift from efficiency driven trade to resilience driven trade to integrate deeper into global value chains.

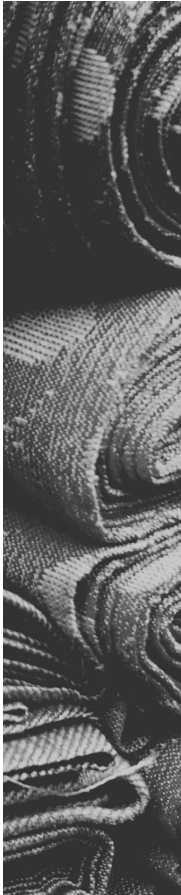
**PLAN**

- Move from assembly-based manufacturing to design-to-delivery ecosystems
- Reduce import dependence in strategic sectors
- Position India as a trusted global manufacturing partner
- Promote mining, processing, research and manufacturing
- Domestic manufacturing of high-value and technologically-advanced CIE like lifts, boring equipments

**IMPACT**

- Higher manufacturing GDP share
- Export diversification
- Job creation in semi-skilled and skilled segments
- MSME scale-up and formalisation
- Deepen value chains

## F. TEXTILE



The Government has proposed integrated programme for development of the labour intensive textile sector into technologically strengthened and sustainable tex sector with schemes like:

### POLICY

- National Fibre Scheme
- Textile Expansion and Employment Scheme
- National Handloom and Handicraft programme
- Tex-Eco Initiative
- Samarth 2.0
- Proposed set up of mega Textile Parks
- Mahatma Gandhi Gram Swaraj initiative

### Importance

The policies aim to make India self-reliant in natural fibres, and new-age fibre and modernise the traditional practices through technological upgradation, in turn promoting global competition in textiles.

### PLAN

- Build global market linkage and branding
- Promote Global Competition
- Promote One - District - One - Product initiative

### IMPACT

- Improved employability of rural youth
- Higher exports
- Enhanced Technical Textiles
- Affordable Sports Goods

## G. FINANCIAL SERVICES:



Banks alone cannot fund a USD 5–7 trillion economy. Therefore the Government has proposed several measures to bring a reform in banking and finance.

### POLICY

- Proposal to constitute a High-level committee for banking sector reforms
- Review of financial PSUs (PFC, REC, etc.)
- Targeted easing and rationalization of NRI investment norms
- Support for municipal bonds and corporate bond liquidity

### PLAN

- Reduce systemic risk
- Improve capital allocation efficiency
- Encourage long-term savings to move into productive assets
- Develop domestic bond markets to reduce dependence on banks

### IMPACT

- Better credit flow to infrastructure and MSMEs
- Reduced pressure on public sector banks
- More sophisticated financial markets

## H. DIGITAL ECONOMY:



### POLICY

- Hi-Tech Tool Rooms digitally enabled automated service bureaus
- National Destination Digital Knowledge Grid to digitally document all places of significance
- Support to set up Animation, Visual Effects, Gaming and Comics (AVGC) Content Creators Lab

### PLAN

- Reduce systemic risk
- Improve capital allocation efficiency
- Encourage long-term savings to move into productive assets

### IMPACT

- Better credit flow to infrastructure and MSMEs
- Reduced pressure on public sector banks
- More sophisticated financial markets

## I. SCIENCE, ENERGY AND ENVIRONMENT



R&D is bolstered through major missions: the AI Mission, National Quantum Mission and increased research funds (Anusandhan, R&D Fund) are highlighted. Energy security gets attention: for example, a new Carbon Capture, Utilization & Storage (CCUS) programme (INR 20,000cr over 5 years) is proposed to support pilot projects and gradual adoption in hard to abate sectors. City infrastructure is also emphasized: up to INR 5,000cr per City Economic Region is indicative central support to upgrade amenities and transit in Tier-II/III cities.

### POLICY

- Carbon Capture, Utilisation & Storage (CCUS) scheme
- Support for clean energy transition in hard-to-abate sectors
- Focus on energy security alongside sustainability in Tier II and Tier III cities
- Proposal to develop City Economic Regions, with indicative central support of up to INR 5,000 crore per city
- Integrated planning for transport, housing, logistics and employment

### Importance

India must balance climate commitments with development needs.

### PLAN

- Enable gradual, technology-driven decarbonisation
- Avoid carbon-border taxes in export markets
- Position India to emerge as a leader in climate-friendly industrial transition

### IMPACT

- Future-proofing of core industries
- Green technology innovation
- Access to global green finance

SECTOR	2026-27 BE (INR IN CRORE)	NOTES/INITIATIVES
<b>Agriculture &amp; Farmers' Welfare</b>	130,561	Includes farmer welfare schemes, irrigation support. Fertiliser Subsidy (~INR 1.709 lakh cr) is provided separately under the Department of Fertilisers.
<b>Rural Development</b>	194,369	Includes MGNREGA (aligned with Viksit Bharat G-Ram-G rural development vision) (Centre share INR 95,692 cr), watershed and village infrastructure schemes. Rural budget up ~21%.
<b>Education (School + Higher)</b>	139,289	School Ed. INR 83,562 cr; Higher Ed. INR 55,727 cr. New schemes: expanded support for girls' hostels, National Institute of Design (East), astronomy programs, etc.
<b>Health &amp; Family Welfare</b>	101,709	Upgrades to health systems, allied-health training, medical tourism hubs, AYUSH expansion. Includes flagship public health programmes (Ayushman Bharat).
<b>Roads &amp; Highways (MoRTH)</b>	309,875	Continued expansion of highways and expressways. (New Dedicated Freight Corridor, e.g. Dankuni–Surat, under railways and 20 inland waterways proposed.)
<b>Railways (Gross Support including capital)</b>	281,377	Record investment in rail infrastructure, corridors and rolling stock.
<b>Power (Ministry of Power)</b>	29,997	Schemes for power generation/transmission (incl. renewables).
<b>Science &amp; Technology</b>	≈80,000 (analytical aggregation of DST, Space, Atomic Energy, DBT etc)	Includes DST, Atomic Energy, Space, Biotechnology, Atomic R&D. Supports quantum, AI, research.
<b>Digital/Telecom</b>	≈95,624	Dept. of Telecom INR 73,990 + Electronics/IT INR 21,633. Focus on 5G, data centres, fintech (Digital Rupee), IT exports.
<b>Social Welfare (Women/Child, Tribal, etc.)</b>	WCD INR 28,183; Tribal INR 15,422	Includes nutrition (POSHAN), women's empowerment (Lakhpati Didi, SHE-Marts), SC/ST welfare, pensions.
<b>Defense (Services + Pensions)</b>	~785,000 (total)	(Revenue ~414,000; Capital ~219,000; Pensions ~171,000 cr. approx) Modernization and security needs.
<b>Other (Industry, Commerce, etc.)</b>		Includes manufacturing incentives, MSME funds, tourism, ease of doing business, etc.

# 05 | EXPERT VIEW



**Mr. N. Sri Krishna (NSK)**, an eminent tax expert and a stalwart in the professional arena having more than 35 years of experience in the field of taxation shared his thoughts on the Budget 2026.

## *What are your initial thoughts on the present macroeconomic condition and Budget 2026?*

This budget has come amidst the time when the entire world is coping up with the geopolitical tensions and inflationary pressure supplemented by unpredictable policy shifts by the US specially the imposition of steep import tariffs and sanctions against various countries disrupting the global supply chains, yet the Indian Economy has been showing commendable resilience which is evident from the remarkable real **GDP growth rate estimate of 7.40 % and nominal GDP growth rate estimate of 8% for FY 2025-26 and projected nominal GDP growth rate of 10% for FY 2026-27**. These impressive and accelerating growth rate numbers reflects India's strong macroeconomic fundamentals and further strengthens its momentum towards becoming the third largest economy by 2030.

Considering that the Government had implemented significant GST rate rationalisation in 2025, I anticipated the Budget to be a sustainable growth oriented budget with key focus on climate change initiatives, AI Infrastructure, Defence and other crucial sectors in view of the recent trade deals rather than a populist budget and this budget has been more or less in line with that anticipation.

## *In your view, what are the most crucial announcements / key takeaways from this Budget?*

- Focused SME growth fund, professional support to MSMEs with the assistance of professional institutions (such as ICAI, ICSI, ICMAI) and liquidity support through TReDS will significantly improve effectiveness of compliances and efficiency in functioning of the MSME which are the backbone of our economy.

- Policy measures such as opening of SHE-Marts, commitment to build Girl's hostel in every district, plan to modernise 200 legacy industry clusters, focus on Ayush & Medical Tourism, Schemes for Textile modernisation, Bio Pharma, Carbon Capture and Rare Earth mining aims at creating immense opportunities for youth and steering the economy to be self-reliant and self-sufficient.
- Constitution of a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself which will assist the Corporates in effective financial reporting.
- Allowing filing of updated returns after issuance of notice of reassessment which will result in reduction of litigations.
- Introduction of Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 and rationalisation of penalty and prosecution proceedings, will provide a window to a large chunk of small taxpayers to ensure voluntary declaration of foreign asset and foreign sourced income and immune themselves from penalty and prosecution under the Black Money Act.
- Tax Holiday to a foreign company on any income arising from procurement of data centre services from a specified data centre till March 2047 will significantly boost foreign investment in development of AI data centre infrastructure in India.
- Rationalisation of custom tariffs structure will provide much needed support to domestic manufacturing and export capabilities of India.

## *Were there any additional expectations from the budget?*

Though the budget is sustainable growth-oriented budget and aims to comprehensively address the concerns of majority of the sectors and public at large, but considering the financial instability across the globe now, it would have been more prudent of the Government to not to increase in rates of Securities Transaction Tax on options and future transactions and rather should have provided some relaxation in the taxation of the long term capital gains from the capital markets to boost inflow of foreign funds. Further, salaried class was anticipating increase in certain exemption and deduction limits which could have provided some additional relief to the large chunk of taxpayers. Additionally, divestment in some state-run enterprises and certain schemes/exemptions were expected to promote capital investments by the private sector.

## CONCLUSION

The economic outlook of India looks promising and it will be quite interesting to see how Government's policies steer our growth managing the external risk factors. I am looking forward to some pro-active steps by the Government towards simplification of the tax structure and setting up of robust IT infrastructure for tax filing platforms to further improve the ease of doing business. Furthermore, the Government has recently released draft Income Tax Rules, 2026 for public feedback. I hope the rationalisation carried out in these draft Income Tax Rules once notified, eliminates the redundancy, simplifies the provisions, provide the required ease of understanding and reduces the compliance burden of the taxpayers.

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