

India Budget -2026 | Key Highlights



| Foreword |

The Union Budget 2026-27 is a Yuva Shakti-driven Budget that reflects the Government's firm Sankalp to uplift the poor, underprivileged, and disadvantaged sections of society.

Guided by three core Kartavyas (Duties):

- Accelerate and sustain economic growth by enhancing productivity, competitiveness, and resilience amid global disruptions.
- Fulfil the aspirations of the people and build their capacity as partners in national prosperity.
- Ensure inclusive access to resources and opportunities for all, in line with Sabka Saath, Sabka Vikas.

This Budget charts a clear path towards Viksit Bharat by balancing high ambition with deep inclusion. It integrates India more strongly into global markets for exports and investments, even as trade and supply chains face disruption. With over 350 reforms implemented since Independence Day 2025, including simplification of GST and implementation of Labour Codes, the Budget continues the journey of structural transformation.

Public capital expenditure has been enhanced to ₹12.2 lakh crore in FY 2026-27. Fiscal deficit is targeted at 4.3% of GDP, reflecting continued fiscal prudence.

The introduction of the new Income Tax Act, 2025 (effective April 1, 2026) marks a landmark step in tax simplification and ease of compliance.

| India Macro View |

Figures in ₹ lakh crores.

Overview	FY24	FY25	FY26 [E]	FY27 [E]
India's total Expenditure	44	47	49	54
India's total Revenue Receipts	27	31	34	37
India's Fiscal Deficit	17	16	16	17
Deficit as a % of GDP	5.60%	4.80%	4.40%	4.3%

Macros	FY24	FY25	FY26 [E]	FY27 [E]
GDP Growth %	8.20%	6.50%	7.40%	6.8 ~ 7.2%
India's Forex Reserves (USD Billions)	\$ 646B	\$ 658B	\$710	-
India's CPI Inflation %	5.40%	4.60%	1.33%	3% ~ 4%
India's Govt. Capital Exp (₹ in lakh crore)	9.50	10.50	11.00	12.20

Sectoral Growth Rate	FY24	FY25	FY26 [E]
Industrial Production Growth	5.90%	4.10%	6.20%
Services Growth	7.60%	7.20%	9.10%
Agriculture & allied	1.40%	4.60%	3.10%

Economic Overview: Growth & Stability

Resilient performance amidst global headwinds

FY 2026-27 OUTLOOK

Resilient



REAL GDP GROWTH (FY26 PROJ.)

~7.3%

↑ Accelerating from 6.5% (FY25)

PVT. FINAL CONSUMPTION

>60%

✓ Of GDP in FY26

EXTERNAL DEBT TO GDP

~19%

— Stable Outlook

GLOBAL GROWTH (2026)

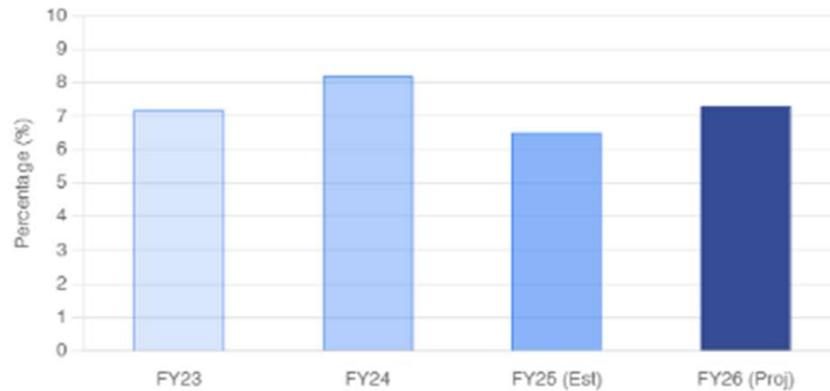
3.3%

🌐 IMF Projection

India Real GDP Growth Trend

Consistent 6%+ growth trajectory

IMF DATA



Source: Economic Survey 2025-26, IMF Projections

Inflation vs. Global Trends

Retail inflation easing below projections

COMPARATIVE



Source: Ministry of Statistics, World Economic Outlook

| Boost for MSMEs |

- Government will facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras', especially in Tier-II and Tier-III towns to help MSMEs in meeting compliance requirements at affordable costs.
- ₹10,000 crore SME Growth Fund has been introduced to incentivize MSMEs based on certain criteria
- Trade Receivables Discounting System (TReDS) as a cornerstone in improving MSME Financing in the following ways:
 - Mandated as transaction settlement platform for all purchases from MSMEs by Central Public Sector Enterprises
 - Introduction of Credit Guarantee Fund Trust for Micro and Small Enterprises for invoice discounting on TReDS platform.
 - Linking of Government e-Marketplace (GeM) with TReDS for sharing information with financiers about government purchases from MSMEs, encouraging cheaper and quicker financing.
 - Liquidity through secondary markets by treating TReDS receivables as asset-backed securities

Direct Tax - Proposals

Personal Taxes

Tax Rates

No changes has been proposed to regular tax rates for individuals as well as for the corporates.

House Property

Deduction for Interest on Home Loan is capped at Rs. 2 Lakh which shall include both interest paid during the year and Pre-construction interest.

Dividend Income

No Deduction for Interest incurred for earning dividend income or income from units of Mutual Fund.

Gold Bonds

Exemption on gains on redemption of Sovereign gold bonds available only when it is subscribed at the time of original issue and held continuously till redemption

Return Due Dates

Due Date to file ITR extended to 31st August for Assesses having business income (not subject to audit)

Updated Return

Updated Returns can now be filed post re-assessment notice by paying additional tax of 10% of aggregate tax and interest payable.

Foreign Assets

Amnesty scheme introduced for small taxpayers to disclose Foreign Assets (ESOPs , RSU, Bank accounts etc.)

STT rates Increase

Options : 0.10 % to 0.15 %

Futures : 0.02 % to 0.05 %

Buy Back of Shares

Consideration received by a Share holder to be taxed as 'Capital Gains' vs current taxation as 'Dividend'

This shall benefit retail investors as tax rates shall be substantially reduced for long term holdings.

If the shareholder or holder of other specified securities is a promoter, the following additional tax shall be payable apart from regular tax on capital gains:

Gain	Domestic Company	Others
Short Term	2%	10.0%
Long Term	9.5%	17.5%

Other

Tax Rate on un explained transactions reduced from 60% to 30% and a penalty of 10% has been omitted on such transactions.

Direct Tax - Proposals

Corporate Tax

Rationalisation of MAT

MAT Rates:

Rate for MAT to be reduced from 15% to 14%

Domestic Companies

If under old regime :
MAT Tax will be final tax. No MAT Credit available to be setoff if they continue under old regime.

Companies moving to concessional tax regime for fiscal year 2026-27 and onwards will be allowed to use the balance of MAT credit to the extent of 25% of tax payable per fiscal year. The MAT credit can be carried forward until its credit balance is fully exhausted or for 15 years from the year in which the credit arose.

Foreign Companies

For foreign companies, set-off is proposed to be allowed up to the difference between tax on total income and MAT.

Certain non-residents deriving income from specified businesses and opting for presumptive taxation under section 61 of the IT Act are excluded from MAT :

- operation of cruise ships
- providing services/technology in India for electronics manufacturing or production for a resident company

PF/ESI Contribution

Currently, employers are not allowed deduction for **employees'** contribution towards EPF /ESI in the event they are deposited beyond due date.

To provide relief to taxpayers **employees'** contribution deposited after the respective statute's due date but before the section 263(1) of the IT Act return filing deadline shall now be allowable.

International Financial Services Centre (IFSC)

- Extension of Tax Holiday Period for units in IFSC has been extended from 10 consecutive years out of 15 to 20 consecutive years out of 25 from the year of registration.
- Clarity that Deemed Dividend Provisions u/s 2(22)(e) will not apply to loans or advances made by an IFSC finance company (including treasury centres) to specified shareholders or group entities, subject to conditions.
- Clarification that, Post-Tax Holiday Business income of IFSC units and OBUs, will be taxed at a concessional rate of 15% (previously normal rates or higher).

Direct Tax - Proposals

TDS/TCS Provisions

TDS on Supply of Manpower

The Finance Bill proposes to amend the definition of 'work' to include the supply of manpower, thereby removing the ambiguity and bringing it under the category of payment to contractors.

Lower TDS Certificate

It is proposed to insert a new section 395(6) to the IT Act to enable the recipient of income to file an online application for lower or nil withholding certificate before the prescribed tax authority.

This is in addition to the existing mechanism of filing such applications before tax authorities.

TCS Provisions

Remittances under Liberalised Remittance Scheme (LRS) for education and medical purposes (above ₹10 lakh threshold): Reduced from 5% to 2%.

Sale of overseas tour programme packages (including travel, hotel, boarding, lodging, etc.): Reduced from 5% (up to ₹10 lakh) / 20% (above ₹10 lakh) to a uniform 2% with no threshold.

Administrative Provisions

Extension for Filing Revised Return

Time limit for filing revised return under section 263(5) of the IT Act is proposed to be extended from 9 months to 12 months from the end of the relevant FY.

Updated Returns

The Finance Bill proposes to allow taxpayers to file updated return even in case of reduction of loss vis-à-vis loss claimed in the original return filed within the due date. *(earlier it could be filed only if the return resulted in additional tax)*

The Finance Bill proposes to allow a taxpayer to file an updated return in pursuance of a notice of reassessment under section 280 of the IT Act. *(earlier this was not allowed)*

Safe Harbour Rules

- Significant Increase in eligibility threshold for availing safe harbour in IT services from ₹300 crore to ₹2,000 crore (international transaction value).
- A safe harbour of 15% on cost is introduced for resident Indian entities providing data centre services to a related foreign entity.
- Automated Approval Process for Safe harbour applications for IT services introduced. Once opted for, the safe harbour can be continued for up to 5 consecutive years at the taxpayer's choice.

Direct Tax - Proposals

Changes to Penalties

Non-Compliance

Old Penalties

New Penalties

Failure to get accounts audited or furnish audit report (44AB)

Lower of 0.5% of turnover/gross receipts or ₹1,50,000

₹75,000 (delay up to 1 month)
₹1,50,000 (thereafter)

Failure to furnish Transfer Pricing (TP) / accountant's report

Fixed ₹1,00,000

₹50,000 (delay up to 1 month)
₹1,00,000 (thereafter)

Failure to furnish Statement of Financial Transactions (SFT) / reportable account

₹500 per day (or ₹1,000 per day after notice)

₹200 per day (failure continues)
Maximum capped at ₹1,00,000 (including post-notice cases)

Maximum penalty under section 466 of the IT Act for failure to comply with prescribed information requests by the tax authorities

₹1000

₹25,000

In Direct Tax - Proposals

GST

Post Sale Discount

Previously, post-supply discounts could be excluded from the taxable value only if they were established through a pre-existing agreement and specifically linked to relevant invoices, alongside reversal of proportionate input tax credit (ITC) by the recipient.

Proposed Amendment removes these burdensome conditions and Such postsale discounts can be given through Credit Note, subject to the buyer reversing the corresponding ITC. of prior agreement and invoice

Provisional Refund

Provisional refund of 90% was available only in cases of Zero-Rated supplies (exports). Proposed amendment grants such refund to cases of refund arising out of 'Inverted duty structure'

Intermediary Services

Previously, the place of supply for intermediary services (e.g., brokerage, commission-based facilitation) was deemed to be the location of the supplier under special provision, even if the recipient was overseas—resulting in 18% GST applicability, failure to qualify as "export of services," loss of zero-rating benefits.

Budget proposal omits this provision thereby such services shall qualify for Zero-rate benefits.

Customs

Validity of Advance ruling

Time limit of validity of Customs Advance rulings extended from 3 years to 5 Years.

Further validity of an existing Advance ruling can be extended for a period of 5 years at the request of the Tax payer.

Movement of Goods

Movement of Goods from one bonded warehouse to another bonded warehouse will not require prior approval from Tax authorities.

Penalties

Proposed amendments to the Customs Act, 1962, shall deem Payment of duty on issuance of show cause notice, along with requisite interest and penalty, in cases involving collusion or wilful mis-statement or suppression of facts to be a charge for non-payment of duty.

This enables dispute resolution and minimize the negative perception of penalties in cases of suppressed facts, collusion, or willful misstatement, adopt a streamlined settlement mechanism that resolves issues without imposing a distinct punitive penalty label.



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