

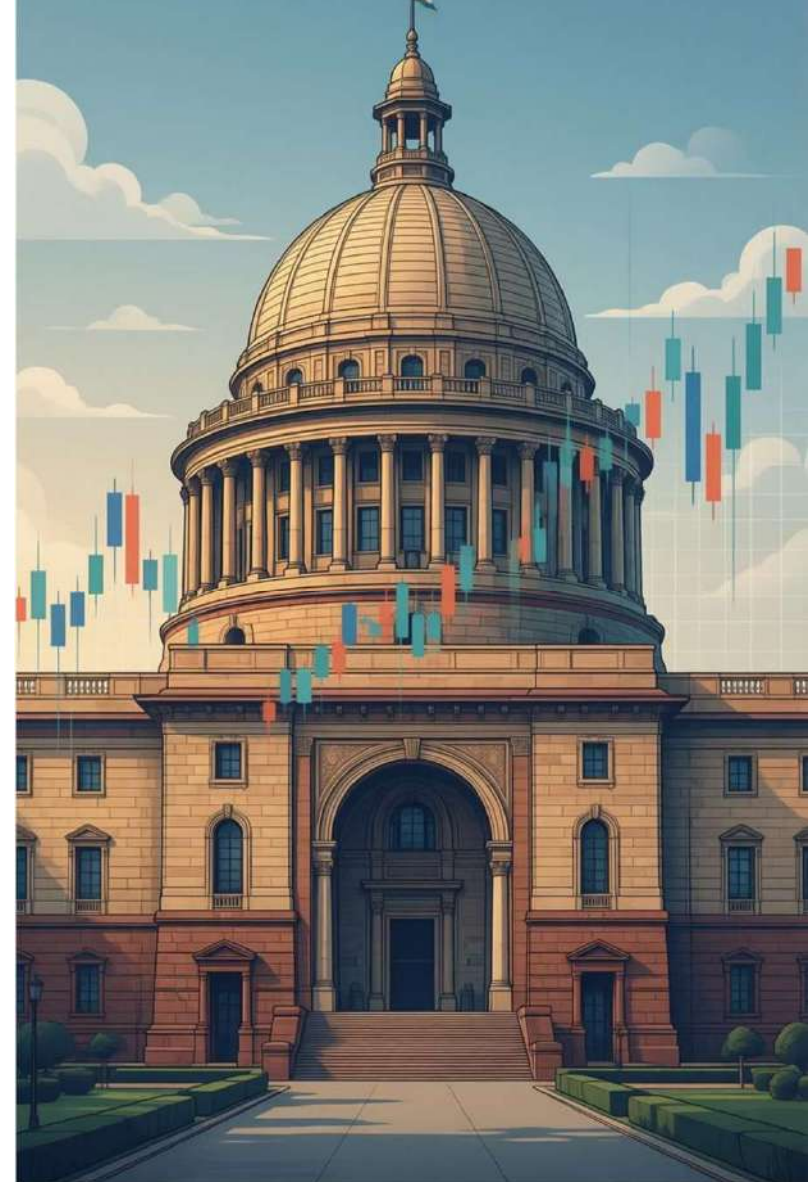
India's Budget 2026-27: A Primary Analysis

Key Highlights on Taxation, Policy and industry impacts.

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Primary Analysis & Key Features

This budget introduces significant structural changes and strategic initiatives across various sectors.



Taxation Reforms

New Income Tax Act,
2025.



Compliance Ease

Decriminalisation of minor
defaults.



Policy Shifts

Focus on economic
growth & inclusive
development.



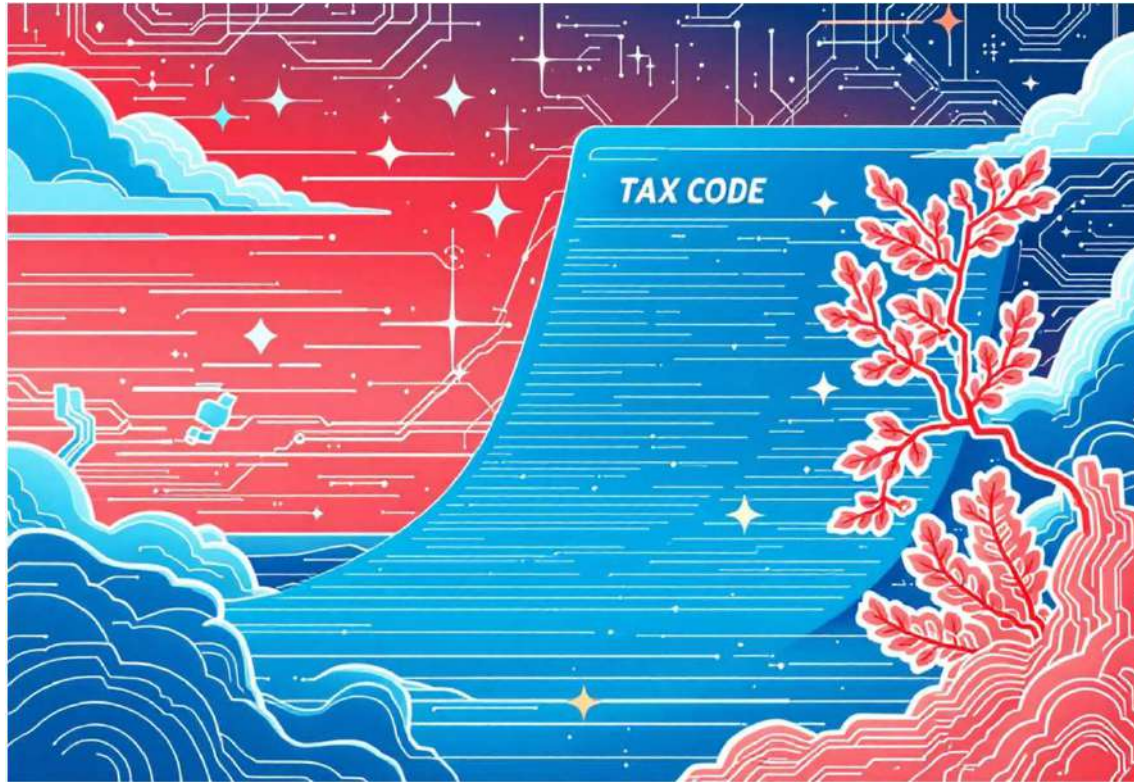
Industry Impact

Targeted support for key
sectors.

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Macro-Fiscal Policy: New Horizons



New Tax Code

The Income Tax Act, 2025, replaces the 1961 Act, effective April 1, 2026, marking a significant structural overhaul.

Fiscal Consolidation

Fiscal deficit estimated at 4.3% of GDP for BE 2026-27, aiming for a 50% debt-to-GDP ratio by 2030-31.

Core Themes

Budget focuses on "Kartavya": accelerating economic growth, fulfilling aspirations, and "Sabka Sath, Sabka Vikas" (inclusive development).



Direct Taxation: Rates & Rationalisation

MAT (Minimum Alternate Tax) Reduction

Individual slab rates remain consistent. MAT for companies reduced to 14% (final tax) from April 1, 2026. MAT credit provisions omitted w.e.f. 01.04.2026 with conditions on claim for eligible MAT Credit

Buyback Taxation

Income from share buybacks now taxed as Capital Gains for shareholders (other than Promoters). However, Promoters are subject to tax on such gains at higher rate (22% for corporate, 30% for non-corporate).

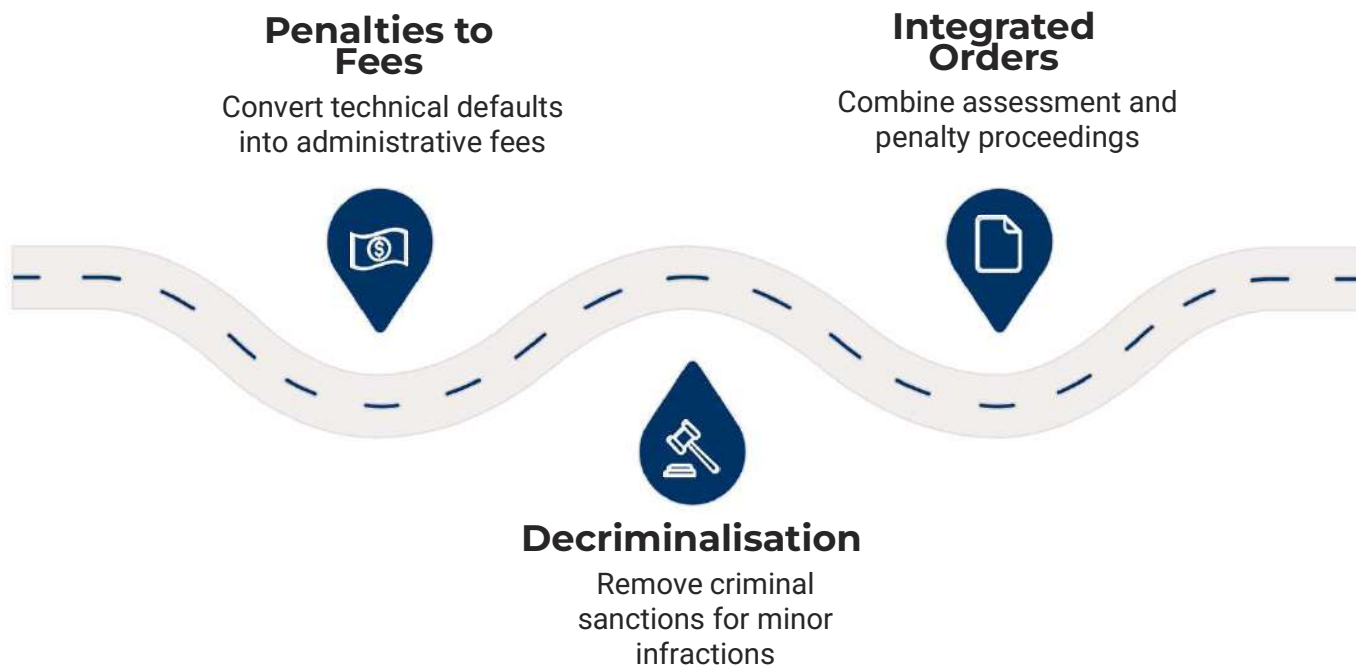
Securities Transaction Tax (STT)

Rates hiked to curb speculation: Futures to 0.05% (from 0.02%), Options to 0.15% (from 0.1% on premium).

TCS (Tax Collected at Source) Rationalisation

TCS rate rationalised to 2% for overseas tour packages, LRS (Liberalized Remittance Scheme) remittances (education/medical), and luxury items, easing cash flow.

Compliance & Decriminalisation



Black Money Act Relief

Immunity from prosecution for undisclosed foreign assets (excluding immovable property) up to ₹20 lakh, with retrospective effect.

Foreign Asset Disclosure Scheme (FAST-DS 2026)

A 6-month window for small taxpayers to disclose undeclared foreign assets (up to ₹5 crore) by paying tax/fee, granting immunity.

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Real Estate: Building Tomorrow



Compliance Ease

Resident individuals/HUFs buying property from non-residents no longer require a TAN; TDS can be deposited using PAN.



Interest Deduction

The aggregate deduction of ₹2 lakh for interest on borrowed capital for self-occupied property will now explicitly include prior-period interest payable.



Inventory Valuation

For property held as stock-in-trade not let out, the annual value is treated as "nil" up to two years from the end of the financial year in which the completion certificate is obtained.



Asset Recycling

Significant real estate assets of Central Public Sector Enterprises (CPSEs) will be monetized through dedicated REITs.

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Pharma & Healthcare: A Healthier Future

Biopharma SHAKTI

₹10,000 crore outlay to develop India as a global biopharma hub, including 3 new NIPERs.

Customs Relief

Basic Customs Duty exempted on 17 cancer drugs/medicines and drugs for 7 additional rare diseases.

Medical Tourism

Support for establishing 5 Regional Medical Hubs to boost medical tourism.



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Jewellery & Gold: Policy Adjustments



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Sovereign Gold Bonds (SGB)

Capital gains exemption on SGB redemption restricted to individuals subscribing at original issue and holding continuously until maturity.

Customs Reductions

Customs duty on gold/silver from copper anode slime exempted/reduced (extended to 2028).

Sunset Clauses

Exemptions/concessional rates for gold/silver dore bars and passenger imports have a sunset date of March 31, 2027.



Technology & IT Services: Driving Innovation

Safe Harbour

Common safe harbour margin of 15.5% for IT services, with turnover threshold enhanced to ₹2,000 crore.

Data Centres

Tax holiday until 2047 for foreign companies providing global cloud services via Indian data centres.

Semiconductors

Launch of India Semiconductor Mission (ISM) 2.0, focusing on equipment, materials, and IP.

Textiles: Weaving Growth

- **Integrated Programme:** Launch of 5 sub-schemes, including National Fibre Scheme and "Samarth 2.0" for skilling.
- **Mega Parks:** Establishment of Mega Textile Parks in challenge mode to boost production.
- **Exports:** Time period for export of final products (garments) using duty-free inputs extended from 6 months to 1 year.

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Retail & MSME: Empowering Growth



Credit & Growth

A ₹10,000 crore SME Growth Fund to create "Champion MSMEs" and a ₹2,000 crore top-up to the Self-Reliant India Fund.



TReDS Reforms

Mandatory use of the TReDS platform for CPSEs to settle invoices and the introduction of credit guarantees for invoice discounting.



Export Ease

The value cap of ₹10 lakh per consignment on courier exports is removed to boost e-commerce exports.

Manufacturing & Infrastructure: Building Strength



Chemical Parks

Introduction of a scheme to support the development of 3 dedicated Chemical Parks, fostering growth and innovation in the chemical sector.



Construction Equipment

A new scheme designed to enhance domestic manufacturing capabilities for Construction and Infrastructure Equipment (CIE), boosting local production.



Space & Aviation

BCD (Basic Customs Duty) exemption for components essential for the manufacture of civilian and training aircraft, promoting the aerospace industry.

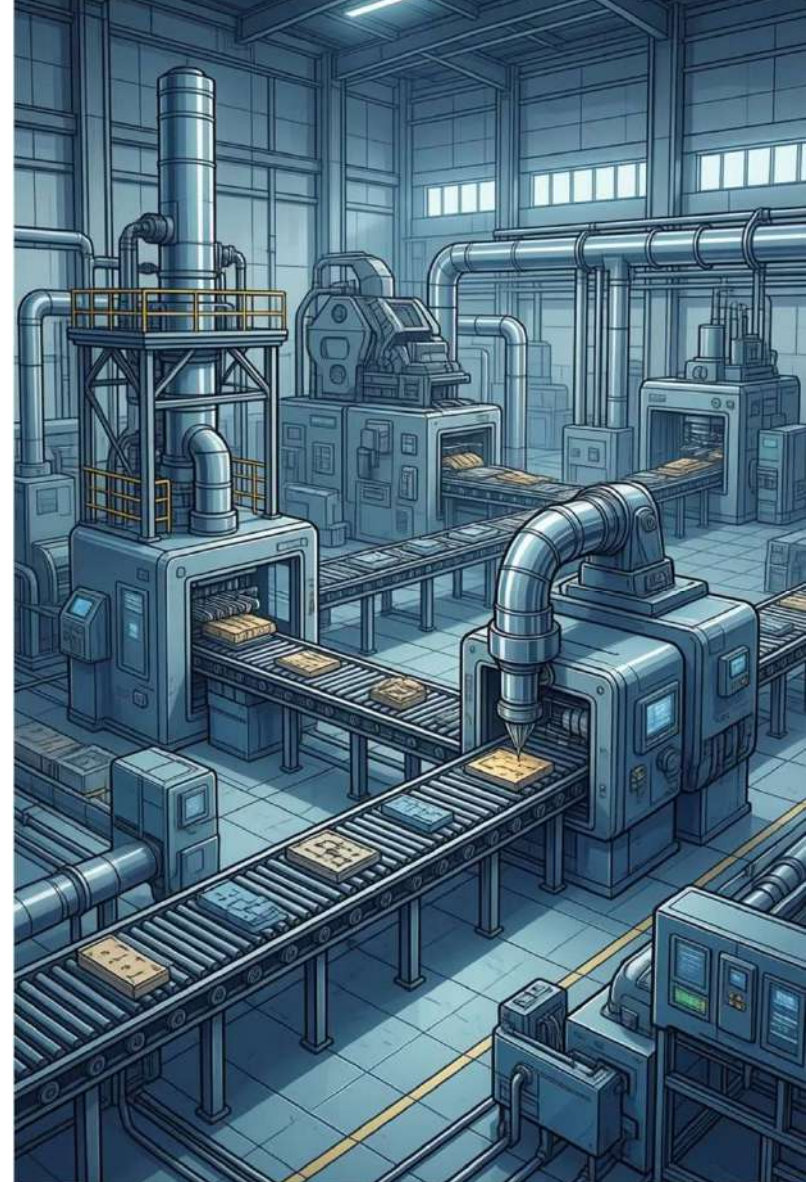


Critical Minerals

BCD exemption on capital goods required for processing critical minerals, and expenditure on prospecting these minerals made eligible for deductions.

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Financial Services & IFSC (GIFT City)

Extended Tax Holiday

The period for a **100% tax deduction** for units in IFSC and Offshore Banking Units (OBUs) has been doubled to **20 consecutive years** (within a 25-year block), promoting long-term growth and stability.

Treasury Centers

To attract multinational corporations, "deemed dividend" provisions are rationalized. These rules will not apply if the parent/principal entity is listed on a notified foreign stock exchange and other group entities are located outside India.

Post-Holiday Tax Rate

After the expiry of the tax holiday, business income for these units will be taxed at a competitive concessional rate of **15%**, ensuring continued financial viability and global competitiveness.

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Aviation, Defense & MRO

Aircraft Manufacturing

A full exemption from Basic Customs Duty (BCD) is introduced for components, parts, and engines imported for the manufacture of aircraft and their parts, boosting domestic production.

Defense MRO Boost

Raw materials imported by Public Sector Units (PSUs) under the Ministry of Defense for aircraft parts Maintenance, Repair, or Overhaul (MRO) are now exempt from Basic Customs Duty, strengthening defense capabilities.

Tire Duties Stability

The Agriculture Infrastructure and Development Cess (AIDC) remains at 0.5% for new pneumatic tires used on aircraft, ensuring cost stability for airlines and MRO operations.

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Co-operatives Sector: Boosting Rural Economies

The budget introduces specific technical amendments to lower the tax burden on co-operative societies, particularly those in rural manufacturing, promoting inclusive growth and reducing financial complexities.



Expanded Deductions

The deduction for profits from supplying milk and vegetables now includes cattle feed and cotton seeds, benefiting primary co-operative societies.



Inter-Cooperative Dividends

Dividend income received by a co-operative society from another is now deductible in the new tax regime, preventing double taxation.



Inclusive Definition

The Income Tax Act's definition of "co-operative society" is amended to include those registered under the Multi-State Cooperative Societies Act, 2002, ensuring broader eligibility for tax benefits.

Energy & Critical Minerals: Powering the Future

Nuclear Power Extension



The Basic Customs Duty exemption for goods used in Nuclear Power Projects is now extended until **September 30, 2035**, covering all generation capacities.

Critical Minerals Incentives



Expenditure on prospecting and exploring "critical minerals" (added to Schedule XII of the Income Tax Act) is now eligible for amortization, boosting domestic exploration.

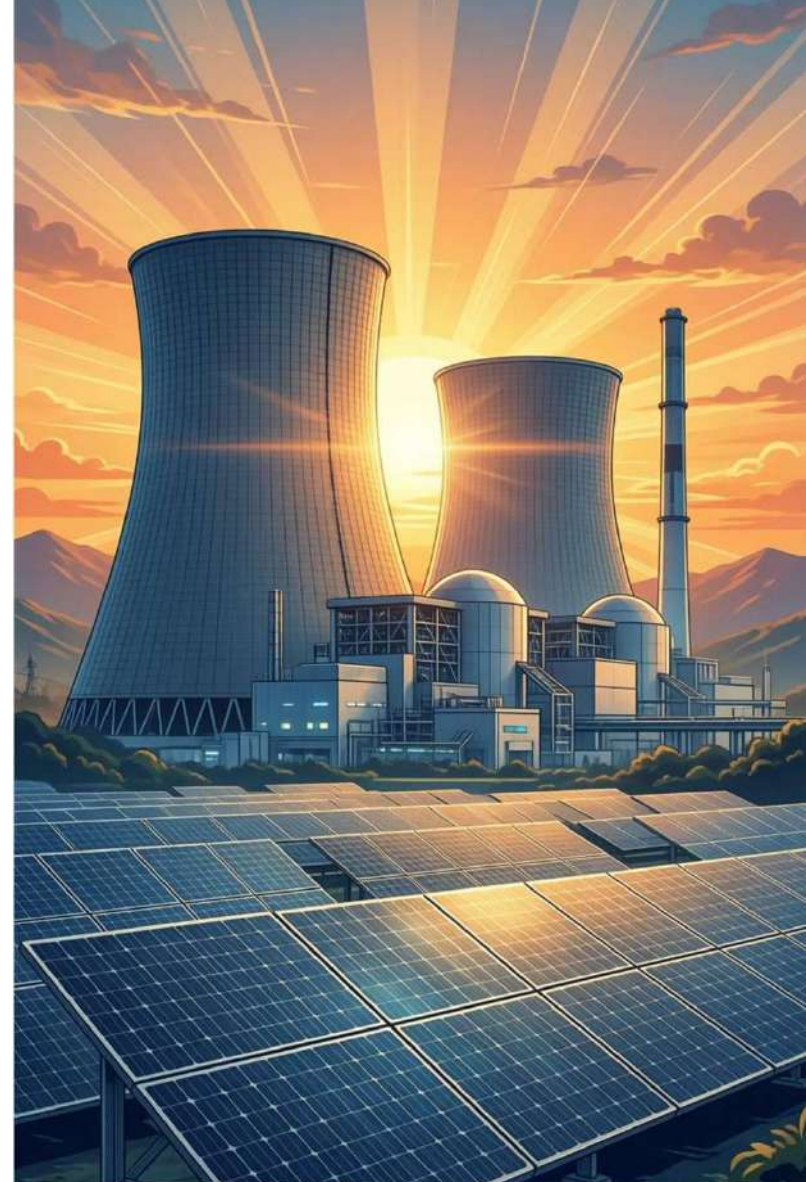
Solar Glass Support



Import of sodium antimonate, a crucial input for manufacturing solar glass, is now exempt from Basic Customs Duty, strengthening the solar supply chain.

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Electronics Manufacturing: Toll Manufacturing



Toll Manufacturing Support

Foreign companies providing capital goods or tooling to Indian contract manufacturers in customs bonded areas receive a tax exemption on income from this provision for five years, commencing April 1, 2026.



Component Warehousing

Non-residents storing electronic components in bonded warehouses benefit from a proposed 2% safe harbour profit margin, resulting in an effective tax rate of approximately 0.7% to support "Just-in-Time" logistics.

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