

# Budget 2026-27

## India





## Introduction And Context

India's Union Budget 2026–27 emphasises growth with discipline, anchored by ₹12.2 lakh crore public capex, strategic manufacturing, and services-led job creation. It prioritises infrastructure, MSMEs, energy security, and innovation while strengthening education-to-employment linkages and social inclusion. Fiscal consolidation remains credible with a **4.3% deficit target**, alongside tax simplification under the new Income Tax Act. Technology-driven governance and climate initiatives position the economy for resilient, inclusive, and sustainable long-term growth.

# Fiscal Indicators

**Fiscal Indicators - Rolling Targets as a Percentage of GDP**

	Revised Estimates	Budget Estimates
	2025-26	2026-27
1. Fiscal Deficit	4.4	4.3
2. Revenue Deficit	1.5	1.5
3. Primary Deficit	0.8	0.7
4. Tax Revenue (Gross)	11.4	11.2
5. Non-tax Revenue	1.9	1.7
6. Central Government Debt	56.1	55.6

# Budget Theme And **Key Focus Areas**

Budget Theme is Empowerment through Employment and Skilling

## Key Focus Areas



### Manufacturing & Infrastructure

Strategic manufacturing (semiconductors, biopharma, electronics, textiles) backed by record public capex and logistics expansion..



### Services & Human Capital

Education-to-employment reforms, healthcare, tourism, AVGC, design, and skill development to drive job creation.



### Agriculture & Rural Economy

High-value agriculture, fisheries, animal husbandry, AI-based farm support, and women-led rural enterprises.



### Finance, Tax & Governance Reforms

Fiscal consolidation, simplified taxation, financial sector strengthening, and ease of doing business.

## Growth & Job Creation

- Real GDP growth - 7.4%
- Public capital expenditure raised to ₹12.2 lakh crore
- Manufacturing push across semiconductors, biopharma, electronics, textiles
- Services focus to reach 10% global services share by 2047

## Economic Priorities

## Fiscal Stability with Reform Continuity

- Fiscal deficit targeted at 4.3% of GDP (BE 2026–27)
- Debt-to-GDP ratio projected at 55.6%, on path towards 50% by 2030–31
- New Income Tax Act, 2025 effective from 1 April 2026

# MSME Support And Initiatives

## 1. Equity & Growth Capital

- ₹10,000 crore SME Growth Fund to create “Champion MSMEs”
- ₹2,000 crore top-up to Self-Reliant India Fund for micro enterprises



## 2. Liquidity & Faster Cash Flow

- Mandatory TReDS usage by CPSEs
- Credit guarantees via CGTMSE and securitisation of TReDS receivables

## 3. Cluster & Manufacturing Support

- Revival of 200 legacy industrial clusters
- Infrastructure and technology upgradation to improve competitiveness



## 4. Ease of Compliance & Professional Support

- Creation of ‘Corporate Mitras’ through ICAI, ICSI & ICMAI
- Affordable compliance support for MSMEs in Tier II & III cities



# Manufacturing Sector Boost

## Strategic Manufacturing Push

7 strategic and frontier manufacturing sectors including biopharma, semiconductors, electronics, textiles, chemicals, capital goods, and sports goods.

## Biopharma & Semiconductor Scale-Up

- Biopharma SHAKTI with ₹10,000 crore outlay over 5 years
- Launch of India Semiconductor Mission (ISM) 2.0 covering equipment, materials, and full-stack Indian IP.

## Electronics, Rare Earths & Critical Inputs

- Electronics Components Manufacturing Scheme expanded to ₹40,000 crore
- Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu.

## Capital Goods & Industrial Equipment

- Hi-Tech Tool Rooms by CPSEs
- New schemes for Construction & Infrastructure Equipment and Container Manufacturing (₹10,000 crore over 5 years).

## Cluster-Based & Labour-Intensive Manufacturing

- Revival of 200 legacy industrial clusters
- Mega Textile Parks, integrated textile programme, and support for khadi, handloom, and handicrafts.



# Urban Development & Housing



## City Economic Regions (CERs)

- Development of City Economic Regions in Tier-II, Tier-III cities and temple towns
- ₹5,000 crore per CER over 5 years through challenge-based financing



## Urban Infrastructure Push

- Continued focus on cities with population above 5 lakh
- Supported by record ₹12.2 lakh crore public capital expenditure



## Municipal Bonds & Urban Financing

- ₹100 crore incentive for municipal bond issuances above ₹1,000 crore
- Continued AMRUT support for smaller city bond issuances



## Urban Transport & Mobility

- High-Speed Rail corridors, freight corridors, waterways and multimodal connectivity.
- Expansion of metro, freight, and multimodal connectivity



## Green & Sustainable Urban Systems

- Promotion of carbon capture (CCUS) with ₹20,000 crore outlay
- Shift towards waterways, coastal cargo, and low-carbon logistics



## Education & Social Infrastructure

- Girls' hostels in every district near higher education institutions
- Focus on inclusive access to housing-linked amenities and services



## Asset Monetisation & Urban Land Use

- Accelerated monetisation of CPSE real estate through REITs
- Recycling urban land assets to fund infrastructure and housing

# Energy Security & Transition

## Long-Term Energy Security Focus

- Policy emphasis on reducing import dependence and ensuring stable, affordable energy to support high growth and manufacturing.

## Carbon Capture, Utilisation & Storage (CCUS)

- ₹20,000 crore outlay over 5 years
- Deployment across power, steel, cement, refineries, and chemicals sectors.

## Clean & Low-Carbon Logistics

- Promotion of inland waterways and coastal shipping
- Target to increase modal share from 6% to 12% by 2047, lowering energy intensity.

## Battery & Energy Storage Ecosystem

- Customs duty exemptions for capital goods used in Lithium-ion battery energy storage systems (BESS) manufacturing

## Renewable Energy Supply Chain Support

- Customs duty exemption on sodium antimonate for solar glass manufacturing, strengthening domestic solar value chains.

## Nuclear Energy for Baseload Power

- Extension of customs duty exemption for nuclear power project imports till 2035, across all plant capacities

## Critical Minerals & Strategic Inputs

- Duty exemptions on capital goods for processing critical minerals to secure supply chains for clean energy technologies.

# Innovation, Research & Development

01

## AI & Emerging Technologies

- Continued focus on AI Mission and National Quantum Mission to drive productivity.

02

## Strategic & Deep-Tech R&D

- India Semiconductor Mission 2.0 for full-stack Indian IP and industry-led research
- Biopharma SHAKTI – ₹10,000 crore (5 years) for life-sciences innovation.

03

## Education–Industry–Research Linkages

- University Townships near industrial corridors
- AVGC labs in 15,000 schools & 500 colleges to build future innovation talent.



# Infrastructure Investment

## Record Public Capital Expenditure

- Public capex increased to ₹12.2 lakh crore in FY 2026–27, sustaining the investment-led growth strategy.

## Urban & Tier-II / Tier-III City Focus

- Infrastructure push for cities with population above 5 lakh and emerging growth centres beyond metros.

## City Economic Regions (CERs)

- Development of City Economic Regions with ₹5,000 crore per CER over 5 years through challenge-based, reform-linked funding.

## Transport & Logistics Corridors

- New Dedicated Freight Corridors and expansion of inland waterways
- Target to raise waterways & coastal shipping share from 6% to 12% by 2047.

## Risk Mitigation for Private Investment

- Creation of an Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders

## Asset Monetisation & REITs

- Accelerated monetisation of CPSE real estate assets through REITs, recycling capital for fresh infrastructure investment.

# Fiscal Policies And Tax Reforms

## Direct Taxes

- ➔ **New Income Tax Act, 2025**
  - Simplified tax law effective 1 April 2026
  - Redesigned rules and forms to improve ease of compliance
- ➔ **Ease of Living for Taxpayers**
  - MACT(Motor Accident Claims Tribunal)interest fully tax-exempt
  - Reduction in TCS under LRS (education, medical & travel) to 2%
- ➔ **Litigation & Compliance Reduction**
  - Integration of assessment and penalty proceedings
  - Lower pre-deposit for appeals (20% → 10%)
- ➔ **Expanded scope for updated returns**
- ➔ **Investment & Global Competitiveness**
  - Tax holiday till 2047 for foreign cloud/data-centre service providers using India
  - Safe harbour regime rationalised and expanded for IT services; 15% safe harbour for data centre services.

## Indirect Taxes

- ➔ **Customs Duty Rationalisation**
  - Removal of exemptions where domestic capacity exists
  - Simplified tariff structure for predictability
- ➔ **Manufacturing & Export Promotion**
  - Duty exemptions for critical minerals, electronics, solar glass, and battery storage
  - Extended export timelines for textiles, leather & footwear
- ➔ **Energy & Strategic Sectors**
  - Customs duty exemption extended for nuclear power projects till 2035
  - Duty exemption on capital goods for manufacturing lithium-ion cells for battery energy storage systems (BESS)
- ➔ **Trade Facilitation & Ease of Doing Business**
  - Faster customs clearance via trust-based systems
  - Expansion of AEO benefits and automated cargo release
  - Customs Integrated System rollout for end-to-end digital processing

# Tax Reforms

## Direct Taxes

1. **Income Tax Act, 2025 effective 1 April 2026**
2. **Lower TCS under LRS (education, medical, travel → 2%)**
3. **Simplified compliance & litigation reduction**
4. **MACT interest fully tax-exempt**

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## Indirect Taxes

- **Customs duty rationalisation**
- **Export facilitation for textiles, leather, marine products**
- **Duty exemptions for critical minerals & clean energy**

# Social Welfare And Inclusivity

Programs for Marginalized  
Communities

## **Divyang Sahara Yojana**

- Assistive devices via ALIMCO
- Expansion of PM Divyasha Kendras and Assistive Technology Marts
- Focus on dignity, mobility, and livelihoods for Divyangjan

## **SHE-Marts for Rural Women Entrepreneurs**

- Community-owned retail outlets for women-led SHGs
- Transition from credit-based livelihoods to enterprise ownership
- Builds on Lakhpati Didi Programme

## **Mental Health & Trauma Care Expansion**

- Establishment of NIMHANS-2 in North India
- Upgradation of institutes in Ranchi & Tezpur
- 50% capacity increase in Emergency & Trauma Care Centres at district hospitals

## **Mahatma Gandhi Gram Swaraj Initiative (Budget 2026–27)**

- Boosts khadi, handloom & handicrafts
- Focus on rural livelihoods, skilling & branding
- Supports ODOP clusters, artisans & rural youth

# Environmental And Climate Initiatives

## Carbon Capture, Utilisation & Storage (CCUS)

- ₹20,000 crore outlay (5 years) to cut industrial emissions across power, steel, cement, and chemicals.



## Green & Low-Carbon Transport

- Expansion of inland waterways and coastal shipping
- Target to increase modal share from 6% to 12% by 2047, reducing carbon intensity.

# Financial Sector Reforms

## Financial Sector Reforms

- High-Level Committee on Banking for Viksit Bharat
- Strengthening NBFCs and financial intermediation
- Ensuring financial stability and consumer protection

## Capital Markets & Financial Infrastructure

- Corporate bond market market-making framework
- Incentives for large municipal bond issuances
- Trust-based, technology-enabled financial systems

# Governance And **Technological Integration**

## Regulatory Reforms

### ➔ **Technology-Driven Governance**

Adoption of AI and digital platforms to improve service delivery, targeting, and transparency across sectors like agriculture, skilling, and public administration.

### ➔ **Simplification, Trust & Ease of Doing Business**

Large-scale process digitisation, reduced compliance burden, integrated systems (tax, customs, approvals) and trust-based frameworks to enhance efficiency and accountability

# Challenges **And Opportunities**



- **Global Uncertainty**
  - Trade fragmentation, geopolitical risks, and supply-chain disruptions affecting exports and investment.
- **Job–Skill Mismatch**
  - Rapid technological change creating gaps between workforce skills and market needs.
- **Fiscal & Climate Pressures**
  - Balancing fiscal consolidation with rising demands from infrastructure, social spending, and climate transition.



- **Manufacturing & Infrastructure Momentum**
  - ₹12.2 lakh crore public capex and strategic manufacturing schemes crowding in private investment
- **Digital & Technological Leap**
  - AI, fintech, and digital governance improving productivity, inclusion, and ease of doing business.
- **Technology-Led Governance & Productivity**
  - AI adoption, digital platforms, fintech, and compliance simplification improving efficiency and inclusion.
- **Services & Human Capital Expansion**
  - Education-to-employment reforms, healthcare, tourism, AVGC and global services growth.



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# Thank You!

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