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Info Capsule

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Highlights - Union Budget 2026-27

The Union Budget 2026-27 reflects confidence in India's growth path and embodies the vision of *Viksit Bharat*. Truly a *Budget for All*, it advances inclusive prosperity while reinforcing resilience, competitiveness, and sustainable progress across every section of society.

Highlights - Union Budget 2026-27

I. 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.
- Introduced a dedicated ₹10,000 crore SME Growth Fund to create future Champions, incentivizing enterprises based on select criteria.
- To top up the Self-Reliant India Fund set up in 2021, with ₹2,000 crore to continue support to micro enterprises and maintain their access to risk capital.
- Mandated Trade Receivables Discounting System (TReDS) as the transaction settlement platform for all purchases from MSMEs by Central Public Sector Enterprises.
- Introduced a credit guarantee support mechanism through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSEs) for invoice discounting on TReDS platform.
- Linked GeM with TReDS for sharing information with financiers about government purchases from MSMEs, encouraging cheaper and quicker financing.
- Introduced TReDS receivables as asset-backed securities, helping develop a secondary market, enhancing liquidity and settlement of transactions.

II. Ease of Doing Business

- Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS).
- Increase in the investment limit for PROI from 5% to 10% with an overall investment limit for all individual PROI to 24%.
- Single and interconnected digital window for cargo clearance approvals.
- Customs Integrated System (CIS) to be rolled out in 2 years as a single, integrated and scalable platform for all the customs processes.
- Utilization of non-intrusive scanning with advanced imaging and AI technology for risk assessment with the objective to scan every container across all the major ports.
- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas will be made free of duty.
- The Provisions governing baggage clearance are also to be revised during international travel to enhance duty-free allowances in line with the present day travel realities.
- Honest taxpayers, willing to settle disputes will be able to close cases by paying an additional amount in lieu of penalty.

III. Sectoral Reforms

a) Manufacturing Sector

As part of the first kartavya to drive and sustain economic growth, six key intervention areas have been outlined, including the initiative to scale up manufacturing across seven strategic and frontier sectors.

Strategic and Frontier Sectors

- *Biopharma SHAKTI*- Rs.10,000 crore over 5 years to make India a global hub for biologics and biosimilars. Includes 3 new National Institutes of Pharmaceutical Education and Research, upgrading 7 existing ones, and over 1000 accredited clinical trial sites.
- *India Semiconductor Mission (ISM 2.0)*- Expansion to equipment, materials, full-stack Indian IP, and industry-led research and training centers.
- *Electronics Components Manufacturing Scheme*- Outlay increased from Rs. 22,919 crore to Rs. 40,000 crore.
- *Rare Earth Corridors*- Dedicated corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu for mining, processing, research and manufacturing.
- *Chemical Parks*- 3 cluster-based plug-and-play parks to reduce import dependency.
- *Capital Goods & Industrial Equipment*- Hi-Tech Tool Rooms, Construction & Infrastructure Equipment Scheme, and Container Manufacturing Scheme (₹10,000 crore over 5 years)
- *Textiles & Handicrafts- Integrated Textile Programme* (fibres, cluster modernisation, handloom/handicraft support, sustainable textiles, and skilling), Mega Textile Parks, and Mahatma Gandhi Gram Swaraj initiative for khadi and village industries.

Other Manufacturing Initiatives

- *Sports Goods Manufacturing*- Dedicated initiative for sports goods that will promote manufacturing, research and innovation in equipment design as well as material sciences.
- *Rejuvenation of Legacy Industrial Clusters*- Scheme to revive 200 clusters with infrastructure and technology upgrades.

b) Financial Sector

- An incentive of ₹100 crore for a single bond issuance of more than ₹1000 crore. The current scheme under AMRUT which incentivises issuances up to ₹200 crore, to also continue to support smaller and medium towns.
- To restructure the Power Finance Corporation and Rural Electrification Corporation in order to achieve scale and improve efficiency in the Public Sector NBFCs.
- A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules to create a more contemporary, user-friendly framework for foreign investments.
- To introduce a market making framework with suitable access to funds and derivatives on corporate bond indices.
- To introduce total return swaps on corporate bonds.

c) Services Sector

- To set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures on the Services Sector for making us a global leader in services, with a 10% global share by 2047.
- Existing institutions for Allied Health Professionals (AHPs) to be upgraded and new AHP Institutions to be established in private and Government sectors.
- A strong Care Ecosystem, covering geriatric and allied care services to be built for a variety of NSQF-aligned programmes to train multiskilled caregivers for wellness, yoga and operation of medical and assistive devices.

- Launching of a Scheme to support States in establishing five Regional Medical Hubs, in partnership with the private sector to promote India as a hub for medical tourism services.
- Setting up of 3 new All India Institutes of Ayurveda; upgrade AYUSH pharmacies and Drug Testing Labs; and upgradation of the WHO Global Traditional Medicine Centre in Jamnagar.
- Setting up of a National Institute of Hospitality by upgrading the existing National Council for Hotel Management and Catering Technology.
- A pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites through a high-quality 12-week training course, in collaboration with IIMs.
- To develop ecologically sustainable Mountain trails, Turtle Trails and Bird watching trails.
- To develop 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace into vibrant, experiential cultural destinations.
- To launch a Scheme for Development of Buddhist Circuits in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura.

d) Agriculture and Allied Sectors

- Support to high value crops such as coconut, sandalwood, cocoa and cashew in coastal areas and Agar trees in North East and nuts such as, almonds, walnuts and pine nuts in hilly regions.
- A Coconut Promotion Scheme to increase production and enhance productivity.
- To launch Bharat-VISTAAR—a multilingual AI tool that shall integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.
- A dedicated programme for Indian cashew and cocoa to make India self-reliant in production and processing, enhance export competitiveness and transform Indian Cashew and Indian Cocoa into premium global brands by 2030.
- Partnering with State Governments to promote focused cultivation and post-harvest processing to restore the glory of the Indian Sandalwood ecosystem.
- Supporting entrepreneurship in the agriculture sector to facilitate job creation in Rural and Peri-urban areas.
- Rolling out a loan-linked capital subsidy support scheme for establishment of veterinary and para-vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.
- Integrated development of 500 reservoirs and Amrit Sarovars.
- Strengthen the fisheries value chain in coastal areas and enable market linkages involving start-ups and women-led groups together with Fish Farmers Producer Organisations.

IV. Education and Youth

- Five University Townships to be created in the vicinity of major industrial and logistic corridors through challenge route.
- A girls' hostel to be established in every district for facilitating prolonged hours of study and laboratory work in Higher Education STEM institutions.
- To establish a new National Institute of Design to boost design education and development in the eastern region of India.
- Four Telescope Infrastructure facilities to be set up or upgraded to promote Astrophysics and Astronomy via immersive experiences.
- Khelo India Mission to be launched to transform the Sports sector over the next decade.
- Samarth 2.0 to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions, focussing on training youth in textile technologies.

- AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges to be set up to target the growing Animation, VFX, Gaming, Comics industry (AVGC) requiring 2 million professionals by 2030.
- Loan-linked capital subsidy to private sector for establishment of Veterinary & Para vet Colleges to scale up availability of veterinary professionals by more than 20,000.
- A National Destination Digital Knowledge Grid will be established to digitally document all places of significance—cultural, spiritual and heritage.

V. Infrastructure and Urbanization

- Public capital expenditure to be increased to ₹12.2 lakh crore in FY 2026-27.
- To set up an Infrastructure Risk Guarantee Fund to strengthen the confidence of private developers regarding risks during infrastructure development and construction phase. To accelerate recycling of significant real estate assets of CPSEs through the setting up of dedicated REITs.
- New Dedicated Freight Corridors to be established connecting Dankuni in the East, to Surat in the West.
- 20 new National Waterways (NW) to be operationalised over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra.
- Training Institutes to be set up as Regional Centres of Excellence for development of the required manpower.
- A ship repair ecosystem catering to inland waterways to be set up at Varanasi and Patna.
- A Coastal Cargo Promotion Scheme to be launched for incentivising a modal shift from rail and roadSeaplane VGF Scheme to be introduced to provide support for operations.
- **Ensuring long term energy security and stability**- An outlay of ₹20,000 crore over the next 5 years, announced for Carbon Capture Utilization and Storage (CCUS) technologies.

• Developing City Economic Regions

- An allocation of ₹5000 crore over 5 years, per city economic regions (CER) announced, for implementing their plans through a challenge mode with a reform-cum-results based financing mechanism.
- To develop Seven High-Speed Rail corridors between cities as 'growth connectors' to promote environmentally sustainable passenger systems.
- To setup a "High Level Committee on Banking for Viksit Bharat", to comprehensively review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion and consumer protection.

VI. Direct Tax

New Income Tax Act, 2025 - New Income tax Act, 2025 to come into effect from April 2026. The simplified Income Tax Rules and Forms will be notified shortly. The forms redesigned for easy compliance of ordinary citizens.

TDS / TCS

- Reduction in the rate of TCS

Sale of overseas tour program package	2% (from current 2-20%)
LRS remittances for education and medical	2% (from current 5%)
Tendu leaves	from 5% to 2 percent
Sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2%	

- For small tax payer with respect to obtaining Lower or nil deduction certificate, instead of filing application with the assessor, a scheme of rule based automated process.

- Single window filing with depositories for Form 15G or 15H for TDS on dividends, interests etc.
- Interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.
- TAN for property transactions involving NRIs will be replaced with resident buyers PAN based challan.

Minimum Alternative Tax (MAT)

- To encourage companies to shift to the new regime, set-off of brought forward MAT credit to be allowed to companies only in the new regime. Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.
- MAT is to be made final tax. There will be no further credit accumulation from 1st April 2026. The rate of final tax to be reduced to 14% from the current MAT rate of 15%. The brought forward MAT credit of taxpayers accumulated till 31st March 2026, will continue to be available to them for set-off as above.
- Exemption from Minimum Alternative Tax (MAT) to all non-residents who pay tax on presumptive basis.

Income Tax Returns - Extend the time available for revising returns from 31st December to upto 31st March with payment of nominal fees. Further, the timeline for filing of tax returns to be staggered.

Rationalizing Penalty and Prosecution

- Taxpayers allowed to update their returns even after reassessment proceedings have been initiated to reduce litigations, at an additional 10% tax rate over and above the rate applicable for the relevant year.
- Penalty for misreporting of income also eligible for immunity with payment of additional income tax.
- Prosecution framework under the Income Tax Act to be rationalized.
- Non-production of books of account and documents, and requirement of TDS payment, where payment is made in kind, to be decriminalised.
- Non-disclosure of non-immovable foreign assets with aggregate value less than 20 lakh rupees to be provided with immunity from prosecution with retrospective effect from 1.10.2024.

Co-operatives

- Extend deduction already allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to those supplying cattle feed and cotton seed also.
- To allow the inter co-operative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.
- Exemption for a period of 3 years allowed to dividend income received by a notified national co-operative federation, on their investments made in companies up to 31.1.2026, for dividends further distributed to its member co-operatives.

Supporting IT sector as India's growth engine

- Software development services, IT enabled services, knowledge process outsourcing services and contract R&D services relating to software development to be clubbed under a single category of Information Technology Services with a common safe harbour margin of 15.5%. Further the threshold for availing safe harbour for IT services to be enhanced from 300 crore rupees to 2,000 crore rupees. Also, Safe harbour for IT services shall be approved by an automated rule-driven process, can be continued for a period of 5 years at a stretch.
- Unilateral Advanced Pricing Agreement (APA) process for IT services to be fast-tracked with the endeavour to conclude it within a period of 2 years, which can be extended by 6 months on taxpayer's request.
- The facility of modified returns available to the entity entering APA to be extended to its associated entities.

Attracting global business and investment

- Any foreign company that provides cloud services to customers globally by using data centre services from India to be provided Tax holiday till 2047. A safe harbour of 15% on cost to be provided if the company providing data centre services from India is a related entity.
- A safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value. The resultant tax of about 0.7 percent will be much lower than in competing jurisdictions.
- Exemption from income tax for 5 years to be provided to any non-resident who provides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.
- Exemption to global (non-India sourced) income of a non-resident expert, for a stay period of 5 years under notified schemes.

Other proposals

- Definition of accountant for the purposes of Safe Harbour Rules to be rationalized.
- In the interest of minority shareholders, buyback for all types of shareholders to be taxed as Capital Gains. Promoters to pay an additional buyback tax, making effective tax 22% for corporate promoters and 30% for non-corporate promoters.

Tax administration

- A Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes to be constituted for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself. Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.

VII. Indirect Tax (Customs)

- Tariff Simplification in case of Marine, leather, and textile products, Energy transition and security, Nuclear Power, Critical Minerals, Biogas blended CNG, Civil and Defence Aviation, Electronics.
- Custom processes to have minimal intervention for smoother and faster movement of goods.
- Complete removal of the current value cap of ₹10 lakh per consignment on courier exports-supports aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce

Reference:

1. **Budget Speech available at** <https://www.indiabudget.gov.in/>
2. **Key to Budget Document available at**
https://www.indiabudget.gov.in/doc/Key_to_Budget_Document_2026.pdf
3. **PIB:** <https://www.pib.gov.in/allrelease.aspx?reg=3&lang=1>

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