

# SUMMARY OF **UNION BUDGET** 2026-27



# HIGHLIGHTS OF THE UNION BUDGET 2026-27

## Basic to Budget

- The Indian Constitution does not explicitly mention the term " budget," but it uses the term "Annual Financial Statement" instead.
- The **Annual Financial Statement (AFS)** is a document presented under **Article 112** of the Constitution. It shows the **estimated receipts and expenditures** of the Government of India for the upcoming financial year (2026-27), along with revised estimates for the current year (2025-26)..
- The AFS categorizes receipts and expenditures under three funds:
  - **Consolidated Fund of India (CFI):** All government revenues, loans, and recoveries are credited here, and all expenditures are debited from it.
  - **Contingency Fund of India:** This is a fund for urgent and unforeseen expenditures, which the President of India can access.
  - **Public Account:** This holds funds held by the government in trust, such as provident funds and small savings.
- The AFS also distinguishes between **revenue expenditure** (day-to-day expenses) and **capital expenditure** (asset creation).

## What is the Finance Bill?

- The Finance Bill, presented with the Annual Financial Statement, details the government's tax-related proposals, which can involve new taxes, changes to current ones, or rate adjustments. As a **Money Bill** under **Article 110** of the Constitution, it must be passed by the Lok Sabha and also includes provisions for government spending and borrowing.

## What are the Fiscal Policy Statements mandated under the FRBM Act?

The **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** mandates the following statements:

1. **Macro-Economic Framework Statement:** Provides an assessment of GDP growth, fiscal balance, and external sector stability.
2. **Medium-Term Fiscal Policy Statement:** Sets **three-year rolling targets** for fiscal indicators like fiscal deficit, revenue deficit, and debt-to-GDP ratio.
3. **Fiscal Policy Strategy Statement:** Explains the government's fiscal priorities, including taxation, expenditure, and borrowing policies.

## Union Budget 2026-27: Key Highlights for Civil Services Exam

### Core Vision & Economic Philosophy

- **Guiding Principle:** 'Atmanirbharta' (self-reliance), focusing on building domestic manufacturing, ensuring energy security, and reducing import dependencies.
- **Economic Outlook:** The Union Budget is based on a solid economic foundation of approximately 7% growth, stable inflation, and significant poverty reduction. However, it also recognizes ongoing global challenges such as supply chain disruptions and risks to international collaboration.
- **The Three 'Kartavyas' (Duties):** The budget framework is inspired by three core duties:
  1. **Accelerate and Sustain Economic Growth:** By enhancing productivity, competitiveness, and resilience.

2. **Fulfil Aspirations of the People:** By building their capacity and making them partners in prosperity.
3. **Ensure Inclusive Access:** To resources, amenities, and opportunities for all sections of society, aligning with the vision of 'Sabka Sath, Sabka Vikas'.
  - **Supportive Ecosystem:** The three Kartavyas are supported by:
    - Sustaining the momentum of **structural reforms**.
    - A **robust and resilient financial sector**.
    - Leveraging **cutting-edge technologies like AI** for better governance.

**Part A: Key Policy Announcements**

**Pillar 1: Accelerating Economic Growth (First Kartavya)**

- This pillar focuses on six key areas: Scaling up manufacturing, rejuvenating legacy industries, creating 'Champion MSMEs', infrastructure development, ensuring energy security, and developing City Economic Regions.

**Scaling Up Manufacturing in 7 Strategic Sectors**

- The budget introduces targeted schemes to make India a global manufacturing hub in high-potential sectors.

Scheme / Initiative	Sector	Key Objectives & Features
<b>Biopharma SHAKTI</b>	Biopharmaceuticals	Outlay of <b>₹10,000 crore</b> over 5 years. Aims to build an ecosystem for domestic production of biologics and biosimilars, establish 3 new NIPERs, and create a network of 1000+ clinical trial sites.
<b>India Semiconductor Mission (ISM) 2.0</b>	Semiconductors	Focus on producing semiconductor equipment and materials, designing full-stack Indian IP, and strengthening supply chains.
<b>Electronics Components Manufacturing Scheme</b>	Electronics	Outlay increased to <b>₹40,000 crore</b> to build on existing momentum.
<b>Dedicated Rare Earth Corridors</b>	Rare Earth Elements	Support for mineral-rich states (Odisha, Kerala, Andhra Pradesh, Tamil Nadu) to establish corridors for mining, processing, and manufacturing.
<b>Dedicated Chemical Parks</b>	Chemicals	Establishment of <b>3 parks</b> through a challenge route on a plug-and-play model to reduce import dependency.
<b>Capital Goods Schemes</b>	Capital Goods	Includes setting up Hi-Tech Tool Rooms and a Scheme for Enhancement of Construction and Infrastructure Equipment (CIE).
<b>Scheme for Container Manufacturing</b>	Containers	Budgetary allocation of <b>₹10,000 crore</b> over 5 years to create a globally competitive ecosystem.

**Integrated Programme for the Textile Sector**

- **National Fibre Scheme:** For self-reliance in natural, man-made, and new-age fibres.
- **Textile Expansion and Employment Scheme:** To modernise traditional clusters.

- **National Handloom and Handicraft programme:** To integrate existing schemes for weavers and artisans.
- **Tex-Eco Initiative:** To promote sustainable and globally competitive textiles.
- **Samarth 2.0:** To upgrade the textile skilling ecosystem.
- **Mega Textile Parks** will be set up in challenge mode.

### Boost to MSMEs as 'Champions'

A three-pronged approach to support the growth of Micro, Small, and Medium Enterprises (MSMEs).

#### 1. Equity Support:

- A dedicated **₹10,000 crore SME Growth Fund** to create future champions.
- A **₹2,000 crore** top-up for the Self-Reliant India Fund.

#### 2. Liquidity Support:

- Mandating **TReDS** (Trade Receivables Discounting System) for all purchases from MSMEs by CPSEs.
- Introducing a credit guarantee mechanism for invoice discounting on TReDS.
- Linking Government e Marketplace (GeM) with TReDS for quicker financing.
- Introducing TReDS receivables as asset-backed securities to develop a secondary market.

#### 3. Professional Support:

- Developing a cadre of '**Corporate Mitras**' (para-professionals) through institutions like ICAI to help MSMEs in Tier-II and Tier-III towns with compliance at affordable costs.

### Infrastructure Push & Connectivity

- **Capital Expenditure:** Public capex increased to **₹12.2 lakh crore** for FY 2026-27.
- **Infrastructure Risk Guarantee Fund:** To provide partial credit guarantees to lenders, boosting private developer confidence.
- **New Dedicated Freight Corridors (DFCs):** Connecting Dankuni (East) to Surat (West).
- **National Waterways: 20 new National Waterways** to be operationalised over 5 years, starting with NW-5 in Odisha. A ship repair ecosystem will be set up in Varanasi and Patna.
- **Coastal Cargo Promotion Scheme:** To increase the share of coastal shipping and inland waterways in cargo movement from 6% to 12% by 2047.
- **High-Speed Rail Corridors:** Development of **seven High-Speed Rail corridors** as 'growth connectors', including Mumbai-Pune and Delhi-Varanasi.
- **Carbon Capture Utilization and Storage (CCUS):** An outlay of **₹20,000 crore** over 5 years to promote CCUS technologies in power, steel, cement, and other industries.

### Pillar 2: Fulfilling Aspirations & Building Capacity (Second Kartavya)

This pillar focuses on empowering youth and leveraging the Services Sector for growth and employment.

### Human Capital Development & Skilling

Sector	Key Initiative
Services	High-Powered ' <b>Education to Employment and Enterprise</b> ' Standing Committee to recommend measures for making India a global services leader with a <b>10% global share by 2047</b> .
Health	Creation of <b>100,000 Allied Health Professionals (AHPs)</b> over 5 years. Building a strong <b>Care Ecosystem</b> for geriatric and allied care. Launch of a scheme to establish <b>five Regional Medical Hubs</b> for medical tourism.
AYUSH	Setting up <b>3 new All India Institutes of Ayurveda</b> and upgrading the WHO Global

	Traditional Medicine Centre in Jamnagar.
<b>Animal Husbandry</b>	Loan-linked capital subsidy scheme to establish private veterinary colleges, hospitals, and labs to add over <b>20,000 veterinary professionals</b> . Livestock contributes close to 16% of farm income.
<b>Orange Economy (AVGC)</b>	Support for setting up <b>Animation, Visual Effects, Gaming and Comics (AVGC) Content Creator Labs</b> in 15,000 schools and 500 colleges to meet the demand for 2 million professionals by 2030.
<b>Education</b>	Creation of <b>5 University Townships</b> near industrial corridors. Establishment of <b>1 girls' hostel in every district</b> through VGF/capital support.

### Focus on Tourism

- **National Institute of Hospitality:** Upgrading the existing National Council for Hotel Management and Catering Technology.
- **Upskilling Guides:** A pilot scheme to upskill **10,000 guides** at 20 iconic tourist sites.
- **National Destination Digital Knowledge Grid:** To digitally document all places of cultural, spiritual, and heritage significance.
- **New Trekking and Hiking Trails:** Development of ecologically sustainable mountain, turtle, and bird-watching trails across the country.
- **Archaeological Site Development:** Developing 15 sites including **Lothal, Dholavira, Rakhigarhi, and Sarnath** into experiential destinations.

### Pillar 3: Inclusive Development (Third Kartavya)

This pillar focuses on targeted efforts for farmers, women, Divyangjan, and vulnerable sections, with a special emphasis on the Eastern and North-Eastern regions.

#### Increasing Farmer Incomes

- **High-Value Agriculture:** Support for crops like coconut, sandalwood, cocoa, cashew, and nuts (almonds, walnuts) in coastal, North-East, and hilly regions.
- **Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources):** A multilingual AI tool integrating AgriStack and ICAR data to provide farmers with customised advisory services, enhancing productivity and reducing risk.

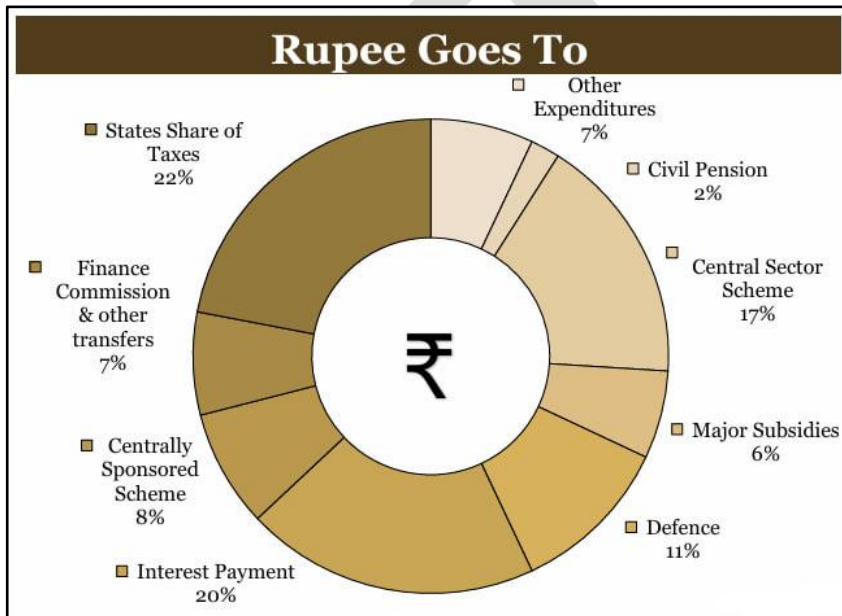
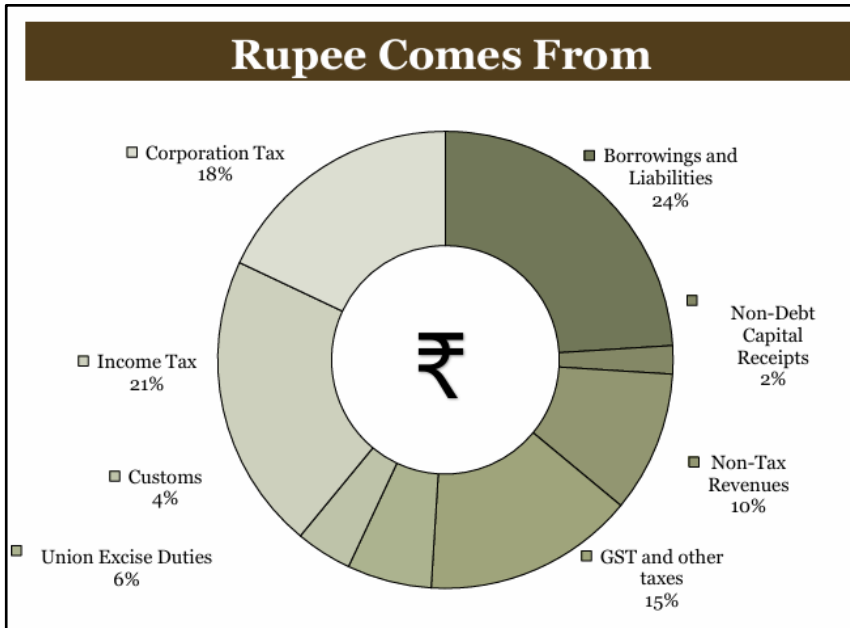
#### Empowerment of Vulnerable Sections

- **Women: Self-Help Entrepreneur (SHE) Marts** to be set up as community-owned retail outlets, helping women transition from credit-led livelihoods to enterprise owners, building on the success of the Lakhpati Didi Programme.
- **Divyangjan:**
  - **Divyangjan Kaushal Yojana:** Customized training for roles in IT, AVGC, and Hospitality sectors.
  - **Divyangjan Sahara Yojana:** Scaling up production of assistive devices by ALIMCO and strengthening PM Divyasha Kendras.
- **Mental Health:** A new NIMHANS-2 to be set up in North India.

### Fiscal Consolidation & Budgetary Numbers

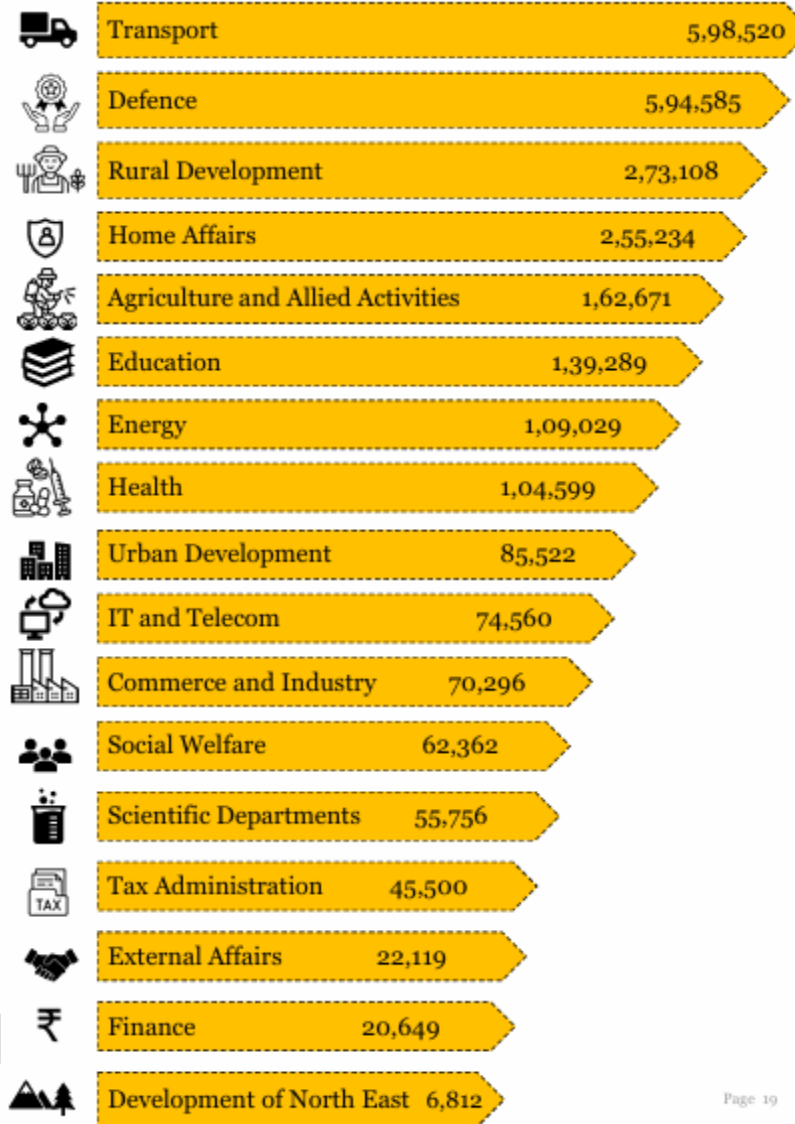
- **16th Finance Commission:** The government has accepted the recommendation to maintain the vertical share of tax devolution to states at **41%**.

Indicator	Revised Estimates (RE) 2025-26	Budget Estimates (BE) 2026-27
Fiscal Deficit	4.4% of GDP	4.3% of GDP
Debt-to-GDP Ratio	56.1% of GDP	55.6% of GDP
Total Expenditure	₹49.6 lakh crore	₹53.5 lakh crore
Capital Expenditure	₹11 lakh crore	₹12.2 lakh crore
Net Tax Receipts	₹26.7 lakh crore	₹28.7 lakh crore



## Expenditure of Major Items

*In ₹ crore*



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### Part B: Tax Proposals

#### Direct Tax Reforms

- **New Income Tax Act, 2025:** To come into effect from 1st April 2026, featuring simplified rules and forms.
- **Ease of Living Measures:**
  - Tax Collected at Source (TCS) rate on overseas tour packages reduced to a flat 2%.
  - TCS rate for education and medical purposes under LRS reduced from 5% to 2%.
  - Timeline for filing revised returns extended to 31st March.
- **Foreign Asset Disclosure:** A one-time 6-month **Foreign Asset Disclosure Scheme (FAST-DS)** for small taxpayers to disclose overseas income or assets below a certain threshold.
- **Reduced Litigation:**
  - Assessment and penalty proceedings will be integrated into a common order.

- Pre-payment for appeals reduced from 20% to **10%** of core tax demand.
- **IT Sector Support:** Threshold for availing safe harbour for IT services enhanced from ₹300 crore to ₹2,000 crore.
- **Investment in Data Centres:** A **tax holiday until 2047** for foreign companies providing cloud services globally using data centres in India.
- **Corporate Tax:** The rate of **Minimum Alternate Tax (MAT)** is reduced from 15% to **14%**, and it is proposed to be made a final tax from 1st April 2026.

#### **Indirect Tax Reforms (Customs & Excise)**

- **Trade Facilitation:**
  - **Customs Integrated System (CIS)** to be rolled out in 2 years as a single platform for all customs processes.
  - A single, interconnected digital window for approvals from all government agencies for cargo clearance.
  - Validity of advance rulings extended from 3 to **5 years**.
- **Promoting Domestic Industry & Exports:**
  - Basic customs duty exempted on capital goods for manufacturing **Lithium-ion cells** and for processing **critical minerals**.
  - The limit for duty-free import of inputs for seafood processing for export increased from 1% to **3%** of FOB value.
- **Ease of Living:**
  - Customs duty on all dutiable goods imported for personal use reduced from 20% to **10%**.
  - The **₹10 lakh value cap** per consignment on courier exports has been completely removed to support small businesses and e-commerce.

#### **Conclusion**

- The Union Budget 2026-27 is a strategic roadmap for 'Viksit Bharat' by 2047, focusing on structural reforms, boosted infrastructure capital expenditure, inclusive policies for key sectors, and simplified, stable tax proposals to build a productive, resilient, and inclusive economy.