

UNION BUDGET 2026-27

Key Highlights and Strategic Economic Initiatives



Analysis By

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Union Budget 2026-2027: Highlights

Fiscal Management

Fiscal Deficit

- The government continues its focus on fiscal consolidation. The fiscal deficit for FY 2025-26 has been maintained at 4.4% of GDP, in line with budget estimates.
- For FY 2026-27, the fiscal deficit is projected to moderate further to 4.3% of GDP.

Receipts and Expenditure

- In FY 2025-26 (RE), total receipts excluding borrowings were revised to ₹34 lakh crore, with tax receipts of ₹26.7 lakh crore. Total expenditure stood at ₹49.6 lakh crore.
- For FY 2026-27 (BE), receipts excluding borrowings are estimated at ₹36.5 lakh crore, including ₹28.7 lakh crore from tax receipts. Total expenditure is projected at ₹53.5 lakh crore.

Market Borrowings

- Gross market borrowing for FY 2026-27 is estimated at ₹17.2 lakh crore, with net borrowing at ₹11.7 lakh crore, higher than FY26 budget estimates.
- Revised estimates for FY 2026 indicate gross borrowing of ₹14.61 lakh crore and net borrowing of ₹10.4 lakh crore.

Allocation Ministry-wise Allocation (In Rs. Lakh Crs.)

Ministries	FY 25-26	FY 26-27
Ministry of Defence	6.81	7.85
Ministry of Road Transport and Highways	2.87	3.09
Ministry of Railways	2.55	2.81
Ministry of Consumer Affairs, Food & Public Distribution	2.16	2.39
Ministry of Home Affairs	2.33	2.55
Ministry of Rural Development	1.90	1.97
Ministry of Chemicals and Fertilizers	1.62	1.77
Ministry of Communications	1.08	1.02
Ministry of Agriculture and Farmer's Welfare	1.38	1.40

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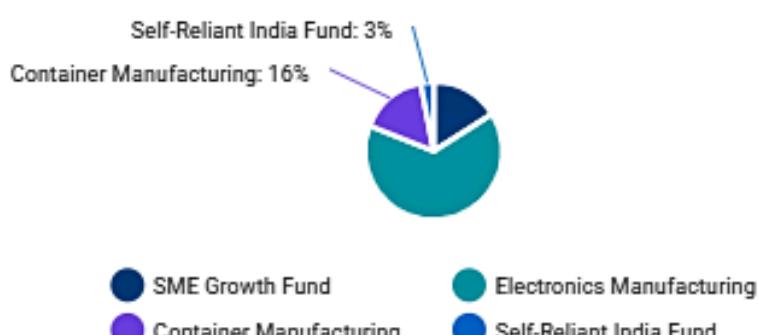
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Financial Sector

- It is proposed that the capital gains tax exemption on Sovereign Gold Bonds (SGBs) will apply only when the bonds are subscribed by individuals at the time of original issuance and held continuously until maturity for redemption.
- To promote large-scale municipal bond issuances, an incentive of ₹100 crore is proposed for any single municipal bond issue exceeding ₹1,000 crore. The existing scheme under AMRUT will remain in force.

MSMEs

- A dedicated SME Growth Fund with a corpus of ₹10,000 crore will be established to incentivise enterprises that meet defined eligibility benchmarks.
- An additional ₹2,000 crore will be infused into the Self-Reliant India Fund (launched in 2021) to strengthen support for micro enterprises and ensure sustained access to risk capital.
- The TReDS platform has already enabled financing of over ₹7 lakh crore for MSMEs. To expand its impact, four key initiatives are proposed:
 - Mandatory onboarding of CPSEs
 - Enhanced credit guarantee support
 - Seamless integration with the Government e-Marketplace (GeM)
 - Securitisation of receivables to improve liquidity



Union Budget 2026-2027: Highlights

Manufacturing

- The Electronics Components Manufacturing Scheme will receive an enhanced outlay of ₹40,000 crore to accelerate growth and sustain sectoral momentum.
- Rare Earth Corridors will be developed to strengthen supply chains and leverage the potential of mineral-rich States.
- A new government scheme will support States in setting up three dedicated Chemical Parks, selected through a competitive challenge route and built on a cluster-based, plug-and-play framework.
- A targeted initiative will be introduced to boost domestic production of high-value, technology-intensive Construction and Infrastructure Equipment (CIE).
- A separate container manufacturing scheme, with a ₹10,000 crore allocation over five years, will aim to build a globally competitive manufacturing ecosystem.
- To strengthen MSMEs, a ₹10,000 crore SME Growth Fund will be launched to provide incentives to enterprises meeting specified eligibility criteria.

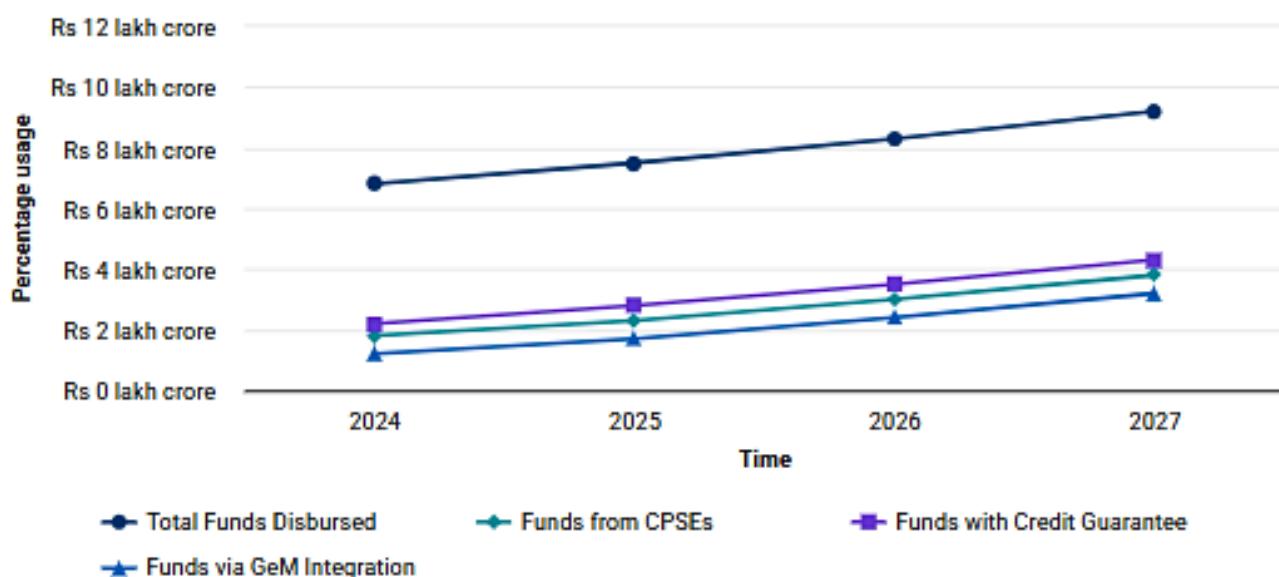
Infrastructure & Green Energy

- Public capex raised to ₹12.2 lakh crore in FY27 (₹11.2 lakh crore in FY26).
- Infrastructure Risk Guarantee Fund to provide partial credit guarantees.
- CPSE real estate monetisation through dedicated REITs.
- ₹2 lakh crore support to States under the SASCI Scheme.
- Focus on infrastructure in Tier-II & Tier-III cities (population >5 lakh).
- Customs duty exemptions extended till 2035 for solar glass, nuclear projects, and critical mineral processing.
- ₹20,000 crore CCUS scheme to promote carbon capture technologies.

Union Budget 2026-2027: Highlights

Tourism, Culture & Sports

- A proposal has been made to establish a National Institute of Hospitality, envisioned as a collaborative platform linking academia, industry, and government.
- 10,000 tourist guides will be trained across 20 iconic tourist destinations to enhance visitor experience and service quality.
- A National Destination Digital Knowledge Grid will be developed to enable comprehensive digital documentation of tourism assets.
- New thematic tourism circuits will be promoted through the development of trekking, mountain, turtle, and bird-watching trails.
- India will host the first-ever Global Big Cat Summit, bringing together Heads of Government and Ministers from 95 range countries to deliberate on coordinated strategies for wildlife conservation.
- 15 archaeological sites—including Lothal, Dholavira, Sarnath, and Hastinapur—will be transformed into experiential heritage destinations.
- The Khelo India Mission will be guided by a 10-year roadmap aimed at comprehensively transforming the sports ecosystem in the country.



Direct & Indirect Tax: Highlights

Direct Tax Proposals

- STT increase: Futures from 0.02% to 0.05%; Options to 0.15% (from 0.10% / 0.125%).
- MACT compensation interest to be tax-exempt with no TDS.
- TCS under LRS cut from 5% to 2% for overseas tours, education, and medical expenses.
- Revised return window extended to 31 March (from 31 December).
- Non-resident property sale TDS simplified via PAN-based compliance, removing TAN requirement.
- Declaration scheme for foreign assets and foreign income below a specified threshold.
- Penalty & prosecution reforms to ensure fair hearing; interest on penalties stayed during appeals.
- MAT rate reduced from 15% to 14%; carry-forward MAT credit allowed under the new regime.
- Buyback tax shifted to capital gains: 22% for domestic promoters, 30% for non-corporate promoters.
- Tax holiday till 2047 for foreign companies availing data centre services in India.
- 15% safe harbour for resident entities providing data centre services to related foreign companies.

Indirect Tax Proposals

- Tariff structure to be simplified with the removal of several outdated and redundant exemptions.
- Customs duty reductions on imports required for critical mineral processing, renewable energy, nuclear power projects, aircraft manufacturing, and electronics.
- Duty exemptions on 17 cancer drugs and on imports used for the treatment of 7 additional rare diseases.
- Customs processes to be streamlined with minimal intervention to enable faster clearance of goods and greater trade certainty.
- Removal of the current complex duty structure, moving towards a more transparent and predictable indirect tax regime.

KEY TAKEAWAYS

- Fiscal discipline continues: Fiscal deficit targeted at 4.3% of GDP, showing commitment to consolidation.
- Capex-led growth: Public capital expenditure raised to ₹12.2 lakh crore, supporting infrastructure and private investment.
- Higher borrowing for growth: Gross market borrowing at ₹17.2 lakh crore to fund capex and development.
- Manufacturing push: Big boost to electronics, semiconductors, biopharma, rare earths, chemicals, containers, and infra equipment.
- MSME support strengthened: ₹10,000 crore SME Growth Fund, expanded TReDS, and more risk capital for micro & small firms.
- Green & energy focus: Support for renewables, nuclear, critical minerals, and ₹20,000 crore CCUS scheme.
- Tax reforms: Higher STT on F&O, MAT cut to 14%, buybacks taxed as capital gains, lower TCS under LRS, simpler compliance.
- Social & tourism push: Higher allocations for housing, water, education, health, plus tourism, culture, and sports development.

Source: CRISIL, AMC Documents, Market Data, Budget Speech/Document 2026-27.
BE: Budget Estimates. RE: Revised Estimates.

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