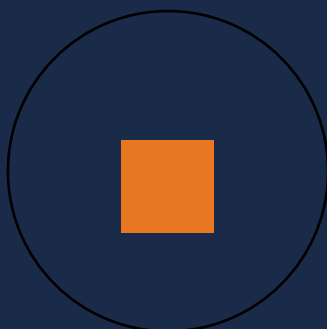


EPOCH IAS

# UNION BUDGET

SUMMARY

2026 – 27



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## UNION BUDGET SUMMARY 2026–27

Finance Minister Nirmala Sitharaman tabled the Union Budget 2026–27 on the auspicious occasion of Magha Purnima, coinciding with the birth anniversary of Guru Ravidas. This marked her **9th consecutive budget presentation**. Anchored around youth empowerment, it is hailed as a **Yuva Shakti-driven Budget**.

### BUDGET BASICS

**What is a Budget?** At its core, the Union Budget is a comprehensive annual statement outlining anticipated government receipts and expenditures. It spans all facets of public finance — from revenue mobilisation and capital allocation to expenditure planning and policy directives.

#### Classification of Government Receipts

Government receipts are divided into two broad categories:

Revenue Receipts	Capital Receipts
<b>Tax Revenue:</b> Income Tax, Corporation Tax, GST, Customs Duty, Excise	<b>Debt Receipts:</b> Duty Borrowings from market and other sources
<b>Non-Tax Revenue:</b> Interest Receipts, Dividends from PSUs	<b>Non-Debt Receipts:</b> Interest Receipts, Dividends on investments

#### Classification of Government Expenditure

Government expenditure is similarly split into two categories:

Revenue Expenditure	Capital Expenditure
Salaries of government employees Subsidies (food, fertiliser, fuel) Pensions	Debt Repayment (principal) Infrastructure: Roads, Buildings Purchase of Machinery & Equipment

## GOVERNMENT RECEIPTS FOR 2026–27

### Where Does the Rupee Come From?

Source	Share (%)
Borrowings and Liabilities	24%
Income Tax	21%
Corporation Tax	18%
GST and Other Taxes	15%
Non-Tax Revenues	10%
Union Excise Duties	6%
Customs Duty	4%
Non-Debt Capital Receipts	2%

## GOVERNMENT EXPENDITURE FOR 2026–27

### Where Does the Rupee Go?

Expenditure Head	Share (%)
States' Share of Taxes	22%
Interest Payments	20%
Central Sector Schemes	17%
Defence	11%
Centrally Sponsored Schemes	8%
Finance Commission & Other Transfers	7%
Other Expenditures	7%
Major Subsidies	6%
Civil Pension	2%

## MACRO-ECONOMIC HIGHLIGHTS OF BUDGET 2026–27

<b>Total Receipts (BE 2026–27)</b>	Pegged at Rs. 53.4 lakh crore — comprising Capital Receipts of Rs. 18.1 lakh crore and Revenue Receipts of Rs. 35.3 lakh crore.
<b>Total Expenditure (BE 2026–27)</b>	Estimated at Rs. 53,47,315 crore. Total capital expenditure stands at Rs. 12,21,821 crore while effective capital expenditure reaches Rs. 17,14,523 crore.
<b>Fiscal Deficit</b>	4.3% of GDP — continuing the path of fiscal consolidation.
<b>Revenue Deficit</b>	1.5% of GDP.
<b>Primary Deficit</b>	0.7% of GDP.
<b>Effective Revenue Deficit</b>	0.3% of GDP.
<b>Debt-to-GDP Ratio</b>	Estimated at 55.6% of GDP in BE 2026–27, down from 56.1% in RE 2025–26.
<b>Finance Commission Devolution</b>	16th Finance Commission recommendation accepted — vertical devolution retained at 41%. Rs. 1.4 lakh crore allocated to States as Finance Commission Grants (including Rural/Urban Local Bodies and Disaster Management Grants).

### Receipts Trend (in Rs. lakh crore)

Year	Capital Receipts	Revenue Receipts	Total
2024-25 (Actuals)	16.2	30.4	46.6
2025-26 (BE)	16.4	34.2	50.6
2025-26 (RE)	16.2	33.4	49.6
2026-27 (BE)	18.1	35.3	53.4

### Expenditure Trend (in Rs. lakh crore)

Year	Eff. Capital Expenditure	Revenue Expenditure	Total
2024-25 (Actuals)	13.2	36.0	49.2
2025-26 (BE)	15.5	39.4	54.9
2025-26 (RE)	14.0	38.7	52.7
2026-27 (BE)	17.1	41.3	58.4

## BUDGET HIGHLIGHTS 2026–27 — PART A

India's macroeconomic fundamentals remain on solid ground, characterised by four key pillars: **Stability, Fiscal Discipline, Sustained Growth, and Moderate Inflation**. The Budget charts a confident path towards Viksit Bharat — balancing ambition with inclusion, preferring **Action over Ambivalence, Reform over Rhetoric, and People over Populism**.

### Government's Sankalp — Three Kartavyas

Kartavya	Theme	Key Objectives
First Kartavya	Accelerate & Sustain Economic Growth	Enhance productivity and competitiveness; build resilience to global volatility.
Second Kartavya	Fulfil Aspirations & Build Capacity	Strengthen people's capabilities as active partners in India's path to prosperity.
Third Kartavya	Sabka Sath, Sabka Vikas	Ensure every family, community, region and sector has equitable access to resources and opportunities.

**Ecosystem for Achieving the Sankalp:** The threefold approach needs a supportive environment built on three pillars: (1) sustaining the momentum of structural reforms — continuous, adaptive and forward-looking; (2) a robust and resilient financial sector — mobilising savings, allocating capital efficiently and managing risks; and (3) cutting-edge technologies including AI applications — acting as force multipliers for better governance.

**India's Reforms Express:** The Government has rolled out over **350 comprehensive economic reforms** targeting employment creation, productivity enhancement and accelerated growth. Key milestones include GST simplification, notification of Labour Codes and rationalisation of mandatory Quality Control Orders.

## FIRST KARTAVYA — ACCELERATE & SUSTAIN ECONOMIC GROWTH

Seven focus areas have been identified under the First Kartavya to propel India's economic engine:

### Area 1 — Scaling Up Manufacturing in 7 Strategic & Frontier Sectors

Sector/Initiative	Key Details
Biopharma SHAKTI	Rs. 10,000 crore outlay over 5 years to build India as a global biopharma hub. Covers biologics/biosimilars for diabetes, cancer, autoimmune disorders. Includes 3 new NIPERs and upgrading 7 existing ones; 1,000+ accredited India Clinical Trial sites.
India Semiconductor Mission (ISM) 2.0	Launch to produce equipment and materials, design full-stack Indian IP, and fortify supply chains for semiconductor sector expansion.
Electronics Components Manufacturing Scheme	Scheme outlay enhanced to Rs. 40,000 crore.
Rare Earth Corridors	Dedicated corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu for mining, processing, R&D; and manufacturing.
Chemical Parks	Support to States in setting up 3 dedicated Chemical Parks to boost domestic production and cut import dependency.
Capital Goods Capability	Hi-Tech Tool Rooms by CPSEs at 2 locations; Scheme for Enhancement of CIE; Scheme for Container Manufacturing (Rs. 10,000 crore / 5 years).
Labour-Intensive Textile Sector	National Fibre Scheme; Textile Expansion & Employment Scheme; National Handloom & Handicraft Programme; Tex-Eco Initiative; Samarth 2.0.
Other Manufacturing	Mahatma Gandhi Gram Swaraj initiative for khadi, handloom & handicrafts. Dedicated initiative for sports goods manufacturing, R&D; and innovation.

### Area 2 — Rejuvenation of Legacy Industrial Clusters

A dedicated scheme to revive **200 legacy industrial clusters** through infrastructure upgradation and technology infusion, improving their cost competitiveness and operational efficiency.

## FIRST KARTAVYA (Continued)

### Area 3 — Creating "Champion SMEs" & Supporting Micro Enterprises

A three-pronged approach — Equity, Liquidity and Professional Support — to help MSMEs evolve into champions:

<p><b>Equity Support</b> Dedicated Rs. 10,000 crore SME Growth Fund to create future champions. Self-Reliant India Fund topped up by Rs. 2,000 crore for continued micro-enterprise support.</p>	<p><b>Liquidity Support</b> TReDS mandated as settlement platform for CPSE purchases from MSMEs. Credit guarantee mechanism via CGTMSE. GeM-TReDS linkage for financier information sharing. TReDS receivables as asset-backed securities for secondary market development.</p>	<p><b>Professional Support</b> ICMAI, ICSI, ICAI to design modular courses for 'Corporate Mitras' — accredited paraprofessionals helping MSMEs meet compliance obligations at affordable cost.</p>
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### Area 4 — Delivering a Powerful Push to Infrastructure

- Public capex elevated to **Rs. 12.2 lakh crore** — a 6x jump from FY15 — to maintain infrastructure momentum.
- Focus on cities with over 5 lakh population (Tier II & III) as growth hubs.
- **Infrastructure Risk Guarantee Fund** to extend partial credit guarantees to lenders.
- Recycling of CPSE real estate assets via **dedicated REITs**.
- New **Dedicated Freight Corridors** connecting Dankuni (East) to Surat (West).
- **20 new National Waterways** linking mineral-rich areas, industrial centres and ports.
- Ship repair ecosystem at Varanasi and Patna; **Coastal Cargo Promotion Scheme** targeting 6% to 12% share by 2047.
- **Seaplane VGF Scheme** to indigenise seaplane manufacturing.

### Area 5 — Ensuring Long-Term Energy Security & Stability

An outlay of **Rs. 20,000 crore over 5 years** for Carbon Capture, Utilisation and Storage (CCUS) technologies across five industrial sectors — power, steel, cement, refineries and chemicals — to achieve higher application readiness.

### Area 6 — Developing City Economic Regions (CERs)

Cities to be mapped as **City Economic Regions (CERs)** based on specific growth drivers. Allocation of **Rs. 5,000 crore per CER over 5 years**. Seven High-Speed Rail corridors to be developed as growth connectors: Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Delhi–Varanasi, Varanasi–Siliguri.

### Area 7 — Other Key Initiatives under First Kartavya

Domain	Initiative
Financial Sector	"High Level Committee on Banking for Viksit Bharat" for comprehensive banking review. Restructuring of PFC and REC. Review of FEMA Non-Debt Instruments Rules.
Corporate Bond Market	Market-making framework with access to funds and derivatives on bond indices. Introduction of total return swaps on corporate bonds.

Municipal Bonds	Rs. 100 crore incentive for bond issuances above Rs. 1,000 crore. AMRUT continues supporting smaller towns (up to Rs. 200 crore issuances).
Ease of Doing Business	Individual PROIs permitted to invest via Portfolio Investment Scheme; individual limit raised from 5% to 10%, overall limit from 10% to 24%.
Emerging Tech & AI	Support via AI Mission, National Quantum Mission, Anusandhan National Research Fund, and R&D; Innovation Fund.

## SECOND KARTAVYA — FULFIL ASPIRATIONS & BUILD CAPACITY

Focused on providing pathways for a youthful India to realise its aspirations, the Second Kartavya encompasses wide-ranging interventions across services, health, education and tourism:

Sector	Key Measures
Services Sector	High-Powered "Education to Employment & Enterprise" Standing Committee to drive Services Sector as a core engine of Viksit Bharat.
Health Sector	Upgradation of Allied Health Professional (AHP) institutions and creation of new AHP centres in public and private sectors across 10 disciplines.
Care Ecosystem	Building a robust Care Ecosystem for geriatric and allied care. Training of 1.5 lakh caregivers in wellness, yoga and assistive device operation.
Medical Value Tourism	Schemes to support States in establishing Five Hubs for Medical Value Tourism in partnership with the private sector.
AYUSH	3 new All India Institutes of Ayurveda; upgrading AYUSH pharmacies, Drug Testing Labs, and the WHO Global Traditional Medicine Centre.
Animal Husbandry	Scale up veterinary professionals by 20,000+. Loan-linked capital subsidy for veterinary colleges, hospitals, diagnostic labs and breeding facilities.
Orange Economy	Support to Indian Institute of Creative Technologies (IICT) Mumbai for setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.
Design	New National Institute of Design in eastern India through the challenge route.
Education	5 University Townships near industrial & logistic corridors; girls' hostel in every district's STEM institution; 4 Telescope Infrastructure facilities.
Tourism	National Institute of Hospitality; upskill 10,000 guides at 20 iconic sites; National Destination Digital Knowledge Grid; Mountain/Turtle/Bird Trails; 15 Archeological Sites redeveloped; Buddhist Circuits in North-East; India to host first-ever Global Big Cat Summit.
Sports	Launch of Khelo India Mission for integrated talent development, coaching, science & technology integration and sports infrastructure.

## THIRD KARTAVYA — SABKA SATH, SABKA VIKAS TOWARDS VIKSIT BHARAT

### Area 1 — Increasing Farmer Incomes

Sector	Interventions
Fisheries	Integrated development of 500 reservoirs and Amrit Sarovars. Strengthening fisheries value chain in coastal areas; market linkages for startups and women-led SHGs via Fish FPOs.
Animal Husbandry	Entrepreneurship through Credit-Linked Subsidy; modernisation of livestock enterprises; livestock/dairy/poultry integrated value chains; Livestock Farmer Producer Organisations.
High Value Agriculture	Support for coconut, sandalwood, cocoa, cashew, Agar trees (North-East), almonds, walnuts, pine nuts. Coconut Promotion Scheme; transform Indian Cashew & Cocoa into global premium brands by 2030; Indian Sandalwood ecosystem revival.
Bharat-VISTAAR	Multilingual AI tool integrating AgriStack portals and ICAR agricultural practices package with AI systems.
SHE-Marts	Community-owned retail outlets within cluster-level federations using enhanced and innovative financing instruments for rural women-led enterprises.

### Area 2 — Empowering Divyangjan

Scheme	Details
Divyangjan Kaushal Yojana	Dignified livelihood opportunities in IT, AVGC, Hospitality and F&B; sectors.
Divyang Sahara Yojana	Support to ALIMCO for scaling assistive device production and R&D; strengthening PM Divyasha Kendras; setting up Assistive Technology Marts as modern retail-style centres.

### Area 3 — Mental Health & Trauma Care

- Setting up of **NIMHANS-2 in North India** and upgradation of National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.
- Increase mental health capacities by **50% in District Hospitals** by establishing Emergency and Trauma Care Centres.

### Area 4 — Purvodaya States & North-East Region

- Development of an integrated **East Coast Industrial Corridor** with a node at Durgapur; 5 tourism destinations in 5 Purvodaya States; 4,000 e-buses.
- **Buddhist Circuits** development in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura.

## BUDGET TAX PROPOSALS — PART B

### *Tax Reforms to Boost the Manufacturing Sector*

- 5-year income tax exemption for non-residents supplying capital goods, equipment or tooling to bonded-zone toll manufacturers.
- Safe harbour for non-residents on component warehousing in bonded warehouses.
- Deferred duty payment window extended to trusted manufacturers.
- Duty-free import limit for seafood processing inputs raised from 1% to 3% of FOB value of prior year export turnover.
- Duty-free import benefit extended to shoe uppers (leather and synthetic footwear).
- Export period for leather/textile garments and leather/synthetic footwear extended from 6 months to 1 year.
- Basic Customs Duty (BCD) exemption on parts for microwave oven manufacture.
- BCD exemption on components and parts used in aircraft manufacturing.
- BCD exemption on raw materials for MRO (defence) aircraft parts manufacture.
- Trusted importers with longstanding supply chains recognised in the risk management system.
- Export cargo with electronic sealing cleared directly from factory to ship.
- One-time measure for eligible SEZ manufacturing units to sell in DTA at concessional duty.
- **Tax Proposal for MSMEs:** Removal of the Rs. 10 lakh per consignment cap on courier exports.

### *Tax Reforms to Boost the Services Sector*

- IT services consolidated under a single category with a unified safe harbour margin of **15.5%**.
- Safe harbour threshold for IT services raised from Rs. 300 crore to **Rs. 2,000 crore**.
- Safe harbour approvals via automated, rule-driven process.
- Safe harbour validity extended to **5 years** at company's discretion.
- Unilateral APA for IT services to be concluded within 2 years (extendable by 6 months).
- Modified returns facility extended to associated entities of APA-availing companies.
- **Tax holiday until 2047** for foreign companies providing cloud services through India-based data centres. Related entities get 15% safe harbour on cost.
- Global income exemption for non-resident experts on 5-year stays under notified schemes.

### *Tax Proposals for Financial Sector*

- STT on Futures raised from **0.02% to 0.05%**.
- STT on options premium raised to **0.15%** (from 0.1%); STT on exercise of options raised to **0.15%** (from 0.125%).

## TAX PROPOSALS (Continued)

### *Tax Proposals for Agriculture Sector*

- Fish caught in India's EEZ or High Seas by Indian vessels made duty-free; landing at foreign ports treated as export of goods.
- Deduction for primary cooperatives expanded to include cattle feed and cotton seed supplied by members.
- Inter-cooperative dividend income allowed as deduction under new tax regime (to the extent distributed to members).
- Tax exemption on dividend income received by a notified national co-operative federation from investments up to 31.1.2026, for 3 years — limited to dividends distributed to member co-operatives.

### *Tax Proposals for Energy Sector*

- BCD exemption on import of sodium antimonate for solar glass manufacture.
- BCD exemption on capital goods for processing critical minerals in India.
- BCD exemption extended to capital goods for Lithium-Ion Cell manufacture for battery energy storage systems.
- Basic customs duty exemption on goods for Nuclear Power Projects extended till 2035 and expanded to all nuclear plants regardless of capacity.
- Biogas value fully excluded from Central Excise duty on biogas-blended CNG.

### *Proposals for Trust-Based Governance*

- Duty-deferral period for Tier 2 and Tier 3 AEOs extended from 15 to 30 days; eligible manufacturer importers get same benefit.
- Advance ruling validity extended from 3 to 5 years.
- Customs warehousing framework transformed to warehouse-operator-centric self-declaration model.
- Trusted importer's Bill of Entry filing and goods arrival to auto-notify Customs.
- Trusted importers with established supply chains recognised in risk management to minimise repetitive cargo verification.

### *Proposals for Ease of Doing Business & Ease of Living*

- Individual PROIs permitted to invest in equity instruments of listed Indian companies via Portfolio Investment Scheme.
- Motor accident claim tribunal interest exempt from Income Tax; associated TDS removed.
- TCS on overseas tour packages reduced to **2%** (from 5%/20%); TCS on education/medical under LRS reduced from 5% to **2%**.
- TDS on manpower supply services set at 1% or 2%.
- Lower/nil deduction certificates via automated rule-based process for small taxpayers.
- Return revision period extended from 31st December to **31st March** (with nominal fee).
- ITR 1 & 2 filers continue till 31st July; non-audit business/trust cases till 31st August.
- TDS on non-resident property sale to be routed via buyer's PAN instead of TAN.
- One-time 6-month foreign asset disclosure scheme for small taxpayers below a threshold.
- Taxpayers may update returns post-reassessment at an additional 10% tax rate.
- Immunity from penalty/prosecution extended to misreporting (earlier limited to underreporting).
- Non-production of account books and failure to pay TDS decriminalised.
- Prosecution immunity (retrospective from 1.10.2024) for non-disclosure of non-immovable foreign assets below Rs. 20 lakh.

- MAT exemption for all non-residents paying tax on presumptive basis; MAT proposed as **final tax**; MAT credit set-off of up to 1/4 of new regime tax liability.
- Tax buyback treated as Capital Gains for all shareholders; promoters to pay additional buyback tax.
- BCD exemption on 17 drugs/medicines for cancer patients.
- Single interconnected digital window for cargo clearance approvals.
- Customs Integrated System (CIS) rollout within 2 years.
- Taxpayers willing to settle disputes may close cases by paying an additional amount in lieu of penalty.

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