India Budget 2026

Key policy changes, tax proposals and economic impact

Now, for tomorrow

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Foreword

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Aspiration into achievement. Potential into performance.

2025 heralded a period of high growth for India. Businesses, both domestic and global, reacted favourably to the momentum. However, soon after, geopolitical tensions and global uncertainties cropped up creating external headwinds to India's macro-economic stability.

The Government has since been on the front foot supporting the investment mood. India's trade and geopolitical strategy gained renewed momentum through a series of Free Trade Agreements including that recently announced with the EU, which follows those with the UK, New Zealand, UAE and others. This was complemented by a series of major policy changes including the proposed simplified Income Tax Act 2025 to replace the Act of 1961, GST 2.0 to simplify compliances, Labour Codes to encompass 29 legislations into 4 codes, a new Maritime Policy, 100 per cent FDI in insurance, etc.

Against this backdrop, our Finance Minister (FM) has used this budget to both operationalise ongoing reforms and to outline a clear blueprint for the next phase of growth. She acknowledges the need for sustainable economic growth, people centric development and ease of doing business, for which she visualises three key factors in her economic game plan – sustain structural reforms, a robust financial sector and cutting edge technologies, including AI. The intent is clear, reduce external dependence and build long term economic resilience.

Last year, the bulkhead of Capital expenditure went to defence, rail and road. This plan looks still in force, with added attention to critical mineral extraction and transportation, and urban development. She has set in motion Semiconductor Mission 2.0 with some clearly laid out agendas, alongside doubling outlay on the Electronics Components Manufacturing Scheme to ₹400 billion. To enhance drug quality, she has placed ₹100 billion for Bio-Pharma.

The tariff affected sectors viz. textiles, fisheries, etc have found attention in budget allocations as well as tax reliefs. While maritime has her ongoing attention, including ship building and repair, she has now added 20 inland waterways within the plan. And 1 new Freight corridor. This spells opportunity for land developers and logistics companies. Not to let the hospitality sector fret, the tourism sector also saw schemes for upskilling guides, development of medical tourism alongside a slew of other measures.

The FM has been wise, as always, and steered clear of tinkering with tax rates. She has simplified tax withholding norms and decriminalised many provisions of the tax laws. The visible aim is to have fines rather than prosecution. Overall, she focuses on policy reforms and compliance simplification. The safe harbour threshold and norms too have been liberalised for the IT sector. In the spirit of what she did last year in the manufacturing sector, this time she has set up a high-level banking committee to review and put forth transformational reforms for the financial sector.

The efforts to boost localisation in manufacturing and addressing MSME cash flow uncertainty, deserve special mention, as do the reforms to customs duty to build trust and easier compliances. The Government will continue to methodically suppress fiscal deficit, this time targeted at 4.3 per cent against last year's 4.4 per cent. India hopes to close this year with GDP growth of 7.4 per cent and inflation targeted at under 2 per cent. Will the strategic reforms and trade deals negate the geo-political headwinds, and deliver a similar or even better results next year?

We think so. This budget continues her legacy of supporting investments and macro-economic stability. She has been tenacious in her approach and the investment kitty continues to grow. India cheers her on.

Flow of the Rupee

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Rupee comes from

Revenue dependence continues to be skewed towards Borrowings & taxes

- 24% Borrowings & Other Liabilities
- 21% Income Tax
- 18% Corporation Tax
- 15% Goods & Service Tax and Other Taxes
- 10% Non-Tax Revenue
- 6% Union Excise Duties
- 4% Customs
- 2% Non-Debt Capital Receipts

Rupee goes to

States' share of taxes and interest payments account for over 40 per cent of expenditure

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

Budget Overview

Key policy announcements and macro indicators

DIRECT TAXES

- Buy-back proceeds recharacterised as capital gains
- Transfer pricing safe harbour rules revamped
- Scope for filing updated tax return enhanced
- Tax holiday for foreign companies leveraging Indian data centers
- Limited disclosure window under BMA for small taxpayers

INDIRECT TAXES

Customs Duty

- Raw materials for manufacture of aircraft parts for maintenance, repair and overhauling exempted
- Prior permission not required for movement of goods from one warehouse to another
- Validity of advance rulings extended to 5 years

Goods and Services Tax

- Place of supply for intermediary services to be location of recipient
- Credit note benefit under GST delinked from pre-existing agreement, for post-sale discount

COMMERCE & TRADE

- Biopharma SHAKTI launched with ₹100 billion outlay to boost domestic biologics and biosimilars production
- India Semiconductor Mission 2.0 to deepen ecosystem, expand equipment and materials manufacturing
- Container Manufacturing Scheme with ₹100 billion outlay launched

SOCIAL FOCUS

- Expansion of digital and industry-linked education infrastructure to boost employability and workforce readiness
- Integrated agri-value chain and youth-oriented programmes to enhance rural incomes and exports

ECONOMIC INDICATORS

- GDP growth estimated at 7.4 per cent in FY 2025-26
- CPI-based headline inflation eased to 1.7 per cent as of December 2025
- Foreign exchange reserves at US$ 687.73 billion as of December 2025
- Increase in production of core industries like steel and cement
- Generation from renewable energy sources registered a growth of 23.12 per cent
- Railway electrification covered 99.1 per cent of total network

Budget Proposals

Direct Taxes & Indirect Taxes

This section outlines key tax proposals announced in the Union Budget 2026-27 and their implications for businesses and taxpayers.

Direct tax provisions in the Finance Bill, 2026 would generally apply from April 1, 2026 while indirect tax measures would take effect immediately, unless otherwise specified.

Direct Taxes

INCOME TAX

- The basic tax slabs for individual and HUF remain unchanged in the old and new regime

OLD REGIME		NEW REGIME[2]	
INCOME RANGE (₹)	**RATE (%)**	**INCOME RANGE (₹)**	**RATE (%)**
Upto 250,000[1]	Nil	Upto 400,000	Nil
250,001 – 500,000	5	400,001 – 800,000	5
500,001 – 1,000,000	20	800,001 – 1,200,000	10
		1,200,001 – 1,600,000	15
1,000,001 and above[3]	30	1,600,001 – 2,000,000	20
		2,000,001 – 2,400,000	25
		2,400,001 and above[3]	30

[1]Exemption limit for individuals reaching 60 and 80 years remains at ₹300,000 and ₹500,000 respectively.

[2]Tax rebate limit for individuals, HUF, association of persons (other than a co-operative society), body of individuals and artificial juridical persons remains at ₹1.2 million.

[3]Surcharge remains at 10 per cent on income exceeding ₹5 to 10 million; 15 per cent on income exceeding ₹10 to 20 million; 25 per cent on income exceeding ₹20 to 50 million and 37 per cent on income exceeding ₹50 million. However, surcharge remains capped at 25 per cent on income exceeding ₹50 million under the new regime.

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. In case of a co-operative society, surcharge at 7 per cent on income exceeding ₹10 million and at 12 per cent on income exceeding ₹100 million respectively. In all other cases, surcharge at 12 per cent where income exceeds ₹10 million.

- Corporate tax rates remain unchanged i.e.

COMPANY	RATE (%)
Domestic[1]	
› Specific turnover/ gross receipts limit	25[2]
› Others	30
Foreign	35[3]

[1]Surcharge remains unchanged at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

[2]The benefit of lower rate of tax is applicable to companies with turnover or gross receipts up to ₹4 billion during the Tax Year 2024-25

[3]Surcharge remains unchanged at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme remains unchanged for eligible manufacturing entities, although time limits not extended i.e.,

ENTITY	RATE (%)
Domestic Company and Cooperative Society[1]	
› New manufacturing enterprise	15[2]
› New manufacturing cooperative society	15[2]
› Others	22

[1]Deductions under respective provisions of Chapter VI-A restricted for availing concessional tax rate. Surcharge at 10 per cent

[2]Benefit applicable only to companies registered on or after October 1, 2019 and co-operative societies set up on or after April 1, 2023 and commenced manufacturing (including electricity generation) or production on or before March 31, 2024 with certain conditions

MINIMUM ALTERNATE TAX ('MAT')

- **Headline rate of MAT reduced from 15 to 14 per cent.**
- **No credit for tax paid under MAT for domestic companies under old regime.**
- **Accumulated MAT credit available for set-off upto 15 years for domestic companies under new regime. Utilisation restricted to 25 per cent of normal tax liability.**
- **No impact on foreign companies.**

CAPITAL GAINS

- **Proceeds of buy-back of shares or securities by an Indian company, earlier taxed as dividend, now taxable as capital gains. Promoter group to pay additional tax i.e.,**

CAPITAL GAINS	EFFECTIVE TAX RATE (%) FOR PROMOTERS	
	DOMESTIC COMPANY	**OTHERS**
Long-term	22 (12.5 + 9.5[1])	30 (12.5 + 17.5[1])
Short-term *(listed shares or securities)*	22 (20 + 2[1])	30 (20 +10[1])

[1]Additional tax rate

TAX INCENTIVES - INTERNATIONAL FINANCIAL SERVICES CENTRE

- Tax holiday extended by 10 years for an IFSC unit and Offshore Banking Unit (OBU).
- Upon expiry of tax holiday, business income of IFSC unit and OBU to be taxed at a concessional rate of 15 per cent.

INTERNATIONAL TAXATION

- Tax holiday until 2047 for income earned by a foreign company from providing cloud services using data centre services procured from India. Income attributable to Indian customers is also eligible for tax exemption provided such services are routed through an Indian reseller entity.
- Income of a foreign company from supply of capital goods, equipment or tooling to an Indian contract manufacturer of electronic goods based in a custom bonded area, eligible for tax exemption for a period of five years.
- Overseas income of a non-resident individual providing specified services in India under a notified scheme, is exempt from tax for a period of five years.

ASSESSMENT

- Period of limitation for completion of scrutiny proceedings applies only to the draft assessment order and not to the final order passed pursuant to DRP directions.

TAX WITHOLDING/ TAX COLLECTION

- Tax collection provisions rationalized. Key changes include

NATURE OF RECEIPTS	RATE OF TCS (%)	
	FROM	TO
Alcoholic liquor for human consumption	1	2
Tendu leaves	5	2
Scrap	1	2
Minerals (coal, lignite or iron ore)	1	2
Remittance under LRS for education/ medical treatment of an amount or aggregate of the amounts exceeding ₹1 million	5	2
Overseas tour programme package including travel, hotel stay, boarding, lodging or related expenses	5 (≤1 million) 20 (>1 million)	2

- Interest on compensation awarded by the Motor Accidents Claims Tribunal to an individual is exempt from tax.
- To obtain NIL or a lower rate of tax withholding, small taxpayers can now apply electronically under a rule based automated process.
- Resident individuals or HUFs do not require TAN to withhold tax on purchase of immovable property from a non-resident.
- Payment for manpower supply services provided by a contractor, being an individual or HUF, now subject to tax withholding at a reduced rate of 1 or 2 per cent.

FOREIGN ASSETS OF SMALL TAXPAYERS DISCLOSURE SCHEME, 2026 (FAST-DS 2026)

- **FAST-DS 2026 is introduced as a time bound scheme to disclose income or assets by the taxpayers who**
  - **failed to furnish tax return, or**
  - **filed tax return but failed to disclose assets located outside India or foreign income**
- **FAST-DS 2026 Scheme:**

TYPE OF ASSETS OR INCOME	TAX AMOUNT PAYABLE	CONDITIONS
No disclosure in tax return	Aggregate of the below ‣ 30 per cent of FMV of the asset as on March 31, 2026, ‣ 30 per cent of undisclosed foreign income as tax, and ‣ 100 per cent of the above	Aggregate of undisclosed foreign income and FMV of undisclosed foreign assets ≤ ₹10 million
a. No disclosure in tax return but taxes paid b. No disclosure upon becoming a resident but assets acquired as non-resident	Fee of ₹0.1 million	FMV of undisclosed foreign assets ≤ ₹50 million

- Grant of limited immunity from further tax, penalty and prosecution under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('BMA') except matters covered under Prevention of Money Laundering Act, 2002 ('PMLA').

PENALTY AND PROSECUTION

- No prosecution under BMA for minor foreign-asset non-disclosures up to ₹2 million.
- Prosecution provisions rationalized i.e.,
  - Capping maximum imprisonment term at 2 years and at 3 years for subsequent offences, and replacing rigorous imprisonment with simple imprisonment
  - Introducing a graded prosecution framework based on quantum of tax involved
  - Decriminalising non-payment of tax deducted at source on winnings or consideration that are wholly in kind in respect of online games and virtual digital assets
- Upon conclusion of scrutiny proceedings, a composite assessment and penalty order can now be framed by the tax officer. No interest on delay in payment of penalty amount till the outcome of first appeal.
- Stay of demand can now be obtained upon payment of 10 per cent tax liability
- Penal provisions rationalized i.e.,

NON-COMPLIANCE	EXISTING FRAMEWORK (PENALTY)	NEW FRAMEWORK (FEES)
Failure to get Accounts Audited	Lower of 0.5% of total sales / turnover / gross receipts; or ₹0.15 million	Delay upto 1 month – ₹0.075 million Delay over 1 month – ₹0.15 million
Failure to furnish Accountants' Report (in Form 3CEB)	₹0.1 million	Delay upto 1 month – ₹0.05 million Delay over 1 month – ₹0.1 million
Failure to furnish SFT[1]	₹500 per day	₹200 per day (capped at ₹0.1 million)
Failure to furnish details in relation to crypto-assets	No specific provision	₹200 per day (capped at ₹0.05 million)

[1]*Enhanced penalty of ₹1000 per day (overall cap ₹0.1 million) for delay in furnishing of SFT in response to a notice*

- Immunity from penalty extended to matters involving misreported income, upon payment of 100 per cent of tax on misreported income, and 120 per cent of tax on unexplained income.

TRANSFER PRICING

- **A related party, whose income and tax liability is modified due to signing of an Advance Pricing Agreement ('APA'), can furnish a modified tax return (within three months) for tax years covered in the APA.**
- **Safe harbour rules revamped i.e.,**

ELIGIBLE SERVICES	PROPOSED RATE	REMARKS
Software development services, ITeS, KPO and contract R&D services clubbed as 'Information Technology Services'	15.5% on cost	‣ Turnover threshold enhanced from ₹3000 to 20000 million ‣ Valid upto 5 years at the option of taxpayer
Data centre services provided by Indian resident company to foreign related party	15% on cost	Newly introduced

OTHERS

- Time limit to submit tax return by non-audit business income taxpayers, including partners of a firm, extended from July 31 to August 31.
- **Existing time limit to revise tax return extended from December 31 to March 31 upon payment of a nominal fee.**
- An updated tax return can now be submitted to report reduction in the amount of loss, and upon initiation of reassessment proceedings with an incremental payment of 10 per cent of aggregate tax and interest liability.
- Interest expense towards earning dividend or mutual fund income, earlier allowed upto 20 per cent, not eligible for deduction.
- Securities Transaction Tax ('STT') rates enhanced i.e.,

SECURITIES TRANSACTION	STT RATE (%)	
	FROM	TO
Sale of Options	0.10	0.15
Sale of Options, where exercised	0.125	0.15
Sale of Futures	0.02	0.05

Indirect Taxes

CUSTOMS DUTY

HIGHLIGHTS

- Amendments
  - Penalty paid on recovery of Customs Duty shall be treated as 'charge' for non-payment of duty.
  - **Validity of advance rulings, including existing rulings, extended from 3 to 5 years.**
  - **Prior permission not required for movement of goods from one warehouse to another, subject to prescribed conditions.**
  - New tariff lines introduced to facilitate product identification and effective monitoring.
  - Deferred duty payment made monthly from existing 15 days for eligible manufacturer importers.
  - Baggage Rules, 2026 introduced to rationalise baggage provisions and facilitate resolution of interpretation issues, superseding the earlier Baggage Rules, 2016.
  - Basic Customs Duty reduced to 10 per cent on goods imported for personal use.
- Exemptions
  - Basic Customs Duty exemption on capital goods for manufacturing Lithium-Ion cells extended to cover batteries for stationary energy storage applications.
  - **Raw materials for manufacture of parts of aircraft for maintenance, repair and overhauling of aircraft or components including engines, if imported by public sector units under Ministry of Defence, exempted subject to prescribed conditions.**
  - Validity of Basic Customs Duty exemption/concessional rates on specified goods extended till March 31, 2028.

- **Change in BCD rates:**

COMMODITY	RATE (%)		
	From	↑↓	To
Monazite	2.5	↓	Nil
Sodium antimonate for use in manufacture of solar glass	7.5	↓	Nil
Potassium hydroxide	Nil	↑	7.5
All goods for generation of nuclear power (including Control and Protector Absorber Rods, and Burnable Absorber Rods)	7.5	↓	Nil
Specified goods for use in the manufacture of Microwave Ovens	As applicable	↓	Nil

EXCISE DUTY

- Biogas/Compressed Biogas (CBG) contained in blended Compressed Natural Gas (CNG), excluded from transaction value for computation of excise duty.
- Implementation of levy of additional excise duty on unblended diesel is deferred.

GOODS AND SERVICES TAX

Amendments

- **Place of supply for intermediary services shall now be the location of recipient of services.**
- Refunds arising out of inverted duty structure, shall be eligible for provisional refund.
- Central Government can empower an existing Authority to hear appeals related to National Appellate Authority for Advance Ruling.
- **Linking of post-sale discount with the terms of agreement, no longer required for claiming benefit of a credit note.**

Commerce & Trade Focus

MANUFACTURING

- Biopharma SHAKTI announced with an outlay of ₹100 billion (US$ 1.09 billion) over five years to build an ecosystem for the domestic production of biologics and biosimilars, expanding capacity through 3 new National Institutes of Pharmaceutical Education and Research ('NIPER') and upgrading the existing 7 and strengthening Central Drugs Standard Control Organization ('CDSCO') to ensure faster, globally aligned regulatory approvals.
- India Semiconductor Mission ('ISM') 2.0 announced to deepen India's semiconductor ecosystem by expanding domestic production of equipment and materials, strengthening design to manufacturing capabilities, securing full-stack Indian IP and building industry-led R&D centres and skilled workforce.
- Electronics Components Manufacturing Scheme outlay proposed to be enhanced to ₹400 billion (US$ 4.35 billion) from ₹229.19 billion (US$ 2.49 billion).
- **Rare Earth Corridors announced to support mining, processing, research and manufacturing in mineral rich states.**
- Scheme to be launched to support States in establishment of 3 dedicated Chemical Parks through a challenge route, based on a cluster-oriented plug-and-play model, to strengthen domestic chemical production and reduce import dependence.
- Schemes announced for Enhancement of Construction and Infrastructure Equipment ('CIE') and High-Tech Tool Rooms, rejuvenation of 200 Legacy Industrial Clusters to improve manufacturing productivity, infrastructure, quality and technology.
- Container Manufacturing Scheme proposed with an outlay of ₹100 billion (US$ 1.09 billion) over five years, to establish a globally competitive container manufacturing ecosystem.
- Schemes proposed for the labour-intensive textile sector through an Integrated Programme covering the National Fibre Scheme, Textile Expansion and Employment Scheme, National Handloom and Handicraft Programme, Tex-Eco Initiative, and Samarth 2.0 for skilling and modernisation.

EDUCATION

- Institutions for Allied Health Professionals ('AHPs') upgraded to add 100,000 AHPs over next 5 years in 10 selected disciplines including optometry, radiology, applied psychology and behavioral health.
- Five University Townships to be created in the vicinity of major industrial and logistics corridors to host universities, colleges, research institutions, skill centers, and residential complexes.
- Proposal to strengthen the AYUSH ecosystem through establishment of three new All India Institutes of Ayurveda, upgradation of AYUSH pharmacies and drug testing laboratories to improve certification standards and manpower, and upgradation of the WHO Global Traditional Medicine Centre at Jamnagar.
- Indian Institute of Creative Technologies, Mumbai to set-up India's Animation, Visual Effects, Gaming and Comics ('AVGC') content creator labs in 15,000 secondary schools and 500 colleges.
- Four Telescope Infrastructure facilities to promote astrophysics and astronomy via immersive experiences to be set-up.

MSMEs

- SME Growth Fund proposed with a ₹100 billion (US$ 1.09 billion) allocation to nurture future SME champions, offering targeted incentives linked to performance based and eligibility criteria to drive scale, competitiveness and formalisation. A ₹20 billion (US$ 217.39 million) top-up to the Self Reliant India Fund, enabling MSMEs access to risk capital.
- Liquidity support for MSMEs via TReDS to be strengthened through mandatory adoption by CPSEs for MSME procurement, credit guarantee backed invoice discounting ('CGTMSE'), integration of GeM–TReDS data sharing for faster financing and enabling securitisation of MSME receivables to develop a secondary market and improve liquidity and settlement efficiency.

FINANCE

- A High-Level Committee on Banking to be constituted to comprehensively review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion, and consumer protection.
- Corporate bond market deepening through introduction of a market-making framework, enhanced access to funds and derivatives linked to corporate bond indices and introduction of total return swaps on corporate bonds to improve liquidity, price discovery and investor participation.

EASE OF DOING BUSINESS

- A comprehensive review of Foreign Exchange Management (Non-Debt Instruments) Rules proposed to create a more contemporary, user-friendly and investment-aligned framework for foreign investments, consistent with India's evolving economic priorities.
- Portfolio Investment scheme limits for Individuals Persons Resident Outside India ('PROI') increased from 10 to 24 per cent.

INFRASTRUCTURE

- Infrastructure push to be sustained with public capex of ₹12.2 trillion (US$ 132.61 billion) in FY 2026-27, focusing on urban infrastructure in Tier-II and Tier-III cities and leveraging instruments such as InvITs, REITs, NIIF and NaBFID to crowd in private capital and support long-term, scalable infrastructure development.
- Government proposes new Dedicated Freight Corridors, operationalisation of 20 National Waterways over five years, development of regional training institutes, inland ship-repair ecosystems, and a Coastal Cargo Promotion Scheme to drive modal shift from road and rail to double inland and coastal shipping share from 6 per cent to 12 per cent by 2047.
- Carbon Capture Utilisation and Storage ('CCUS') to be implemented at scale across five industrial sectors in line with the December 2025 roadmap, with a proposed outlay of ₹200 billion over five years.
- Seven new High Speed Rail Corridors announced to accelerate environmentally sustainable passenger systems.

FISCAL MANAGEMENT

- 16th Finance Commission recommendations adopted, retaining 41 per cent vertical devolution to States and providing ₹1.4 trillion (US$ 15.22 billion) as Finance Commission grants for FY 2026-27, including Rural & Urban Local Body Grants and Disaster Management Grants, strengthening fiscal federalism and State level service delivery.
- The debt to GDP ratio is estimated at 55.6 per cent in Budget Estimates 2026-27, improving from 56.1 per cent in Revised Estimates 2025-26, reinforcing the government's commitment to a declining debt path and freeing up resources for priority expenditure through lower interest outgo.
- FY 2025-26 fiscal deficit stands at 4.4 per cent of GDP and is further budgeted to decline to 4.3 per cent of GDP in Budget Estimates 2026-27, reinforcing fiscal discipline and medium-term debt sustainability.
- Non-debt receipts are estimated at ₹34 trillion (US$ 369.57 billion) including ₹26.7 trillion (US$ 290.22 billion) of Centre's net tax receipts, while total expenditure stands at ₹49.6 trillion (US$ 539.13 billion), with capital expenditure at around ₹11 trillion (US$ 119.57 billion).
- Non-debt receipts are projected at ₹36.5 trillion (US$ 396.74 billion) and total expenditure at ₹53.5 trillion (US$ 581.52 billion) with the Centre's net tax receipts estimated at ₹28.7 trillion (US$ 311.96 billion).
- To meet the financing requirements of the fiscal deficit, net market borrowings through dated securities are estimated at ₹11.7 trillion (US$ 127.17 billion), with gross market borrowings of ₹17.2 trillion (US$ 186.96 billion), while the remaining funding is proposed to be met through small savings and other sources.

Economic Impact

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 1.88 per cent lower at 80,723 down by 1,547 points. The National Stock Exchange ('Nifty 50') fell 1.96 per cent, down by 495 points to close at 24,825 points. The Sensex touched an intra-day high of 82,727 and a low of 79,899 while Nifty touched a high of 25,441 and a low of 24,572 during the day.

KEY SECTORS

INVESTMENT AND MARKET DYNAMICS

The capital market measures are expected to reinforce market depth, stability and long-term capital formation while moderating excessive short-term speculation. The increase in Securities Transaction Tax ('STT') marginally raises transaction costs, particularly impacting high-frequency, derivatives-heavy and short-term trading strategies.

In parallel, proposed reforms such as deepening the corporate bond market through market-making frameworks and new derivative instruments, strengthening municipal bond issuance, and enhancing infrastructure financing via InVITs and REITs are expected to expand the investible universe, improve price discovery and support diversified capital raising.

MANUFACTURING

The focus on strategic manufacturing spanning semiconductors (ISM 2.0), electronics components, biopharma (Biopharma SHAKTI) and container manufacturing signals a decisive shift toward scale, depth, and supply-chain resilience. Large multi-year outlays support ecosystem creation rather than isolated capacity, positioning India as a credible global manufacturing hub across high-technology, healthcare, and logistics-linked industries. This is expected to attract sustained foreign direct investment, enable technology transfer and integrate India more firmly into global value chains.

FINANCE

The proposal to constitute a High-Level Committee on Banking signals policy continuity and a calibrated roadmap for credit expansion, balance sheet resilience and consumer protection, which supports sustained flow of domestic institutional capital into equities and debt markets. The planned comprehensive review of Foreign Exchange Management (Non-Debt Instruments) Rules is particularly significant for foreign investors, as it is expected to simplify entry norms, reduce structuring frictions, and enhance certainty around ownership, exits and downstream investments; factors that directly influence FII allocation decisions.

AEROSPACE AND CIVIL AVIATION SECTOR

The Budget positions aerospace and civil aviation as a strategic growth driver, supported by customs duty reductions on aircraft components and engines and exemptions for maintenance and raw materials required for repair and overhaul ('MRO'), are expected to lower production costs, strengthen supply chains, and accelerate self-reliance in aerospace capabilities. Expansion of airports, helipads, regional air hubs and the UDAN programme will improve infrastructure and logistics, supporting both passenger and cargo growth. Collectively, these initiatives, aim to position India as a globally competitive hub for production and MRO services, attracting OEM partnerships and private sector participation.

AGRICULTURE AND ALLIED SECTORS

The Budget signals a shift from subsistence agriculture to integrated agri-value chains across fisheries, animal husbandry and plantation crops, with focused programmes for coconut, cashew and cocoa to boost productivity, value addition, exports and long-term investment. The focus on value addition and youth engagement opens opportunities in agri-processing, food tech, contract farming and exports, enhancing the sector's appeal for long-term investment.

ENERGY TRANSITION AND CLIMATE INFRASTRUCTURE

The emphasis on expanding nuclear capacity to 100 GW by 2047, alongside large-scale deployment of Carbon Capture Utilisation and Storage, provides a stable decarbonisation pathway for hard-to-abate sectors such as steel, cement, chemicals and refining. For investors, the approach signals a shift from subsidy-driven renewables alone to a diversified transition framework, opening opportunities across transition finance, green bonds, sustainability-linked debt, and long-duration infrastructure assets with predictable returns.

TRADE LOGISTICS AND SUPPLY-CHAIN INTEGRATION

The focus on freight corridors, inland waterways and coastal shipping reflects a structural push to reduce logistics costs and enhance India's integration into global supply chains and port-to-factory linkages and enable cost-competitive exports across manufacturing, agri-processing and industrial goods. The emphasis on container manufacturing and coastal cargo promotion, further reduces import dependence and strengthens supply-chain resilience.

EDUCATION

The Budget positions education as a productivity and employability driver, focusing on upgrading national institutions, expanding modular skilling, and academia–industry integration to bridge skills gaps and strengthen India's workforce competitiveness and global capability centres including R&D hubs.

Recent Policy Changes

Corporate Law I Foreign Exchange Regulations I Taxation I Digital India I Miscellaneous

CORPORATE LAW

- Ministry of Corporate Affairs ('MCA') revised Form CRL-1 (Return regarding number of layers) to enhance corporate governance and regulatory oversight of group structures.
- MCA introduced amended Form INC-22A ACTIVE to implement geo-tagging of Company premises to ensure authenticity of registered offices and help MCA identify and eliminate shell entities.
- The Corporate Social Responsibility ('CSR') rules were amended to broaden eligibility and make it mandatory for CSR-implementing entities, to ensure only verified and tax-registered entities can now receive CSR funds.
- **MCA has significantly expanded the Fast-Track Merger (FTM) route to include mergers between companies within certain financial limits. These mergers can now be approved by the Regional Director, under the Ministry of Corporate Affairs instead of the National Company Law Tribunal.**
- The definition of 'small company' has been revised, increasing the paid-up capital limit from ₹40 million to ₹100 million and the turnover threshold from ₹400 million to ₹1 billion.

RESERVE BANK OF INDIA

- **Reserve Bank of India ('RBI') notified new Foreign Exchange Management Act ('FEMA') compounding rules and direction to make the process simpler and fairer. The amendments now cap fines, remove extra charges for repeat cases, and treat new applications independently.**
- RBI issued the Digital Lending Directions, 2025 consolidating and replacing earlier frameworks to make digital lending safer and transparent. The rules cover governance, data privacy, disclosures, recovery practices, and third-party use, and include a centralised app directory aimed to protect borrower's interest.

TAXATION

- The Central Board of Direct Taxes ('CBDT') notified a revised Form ITR-U for filing updated returns and extending the filing window to 48 months from the end of the relevant assessment year, with progressively higher additional taxes applicable corresponding to the period of delay.
- The CBDT increased the turnover threshold for availing Safe Harbour from ₹2 billion to ₹3 billion and added lithium ion batteries used in electric or hybrid electric vehicles within the definition of core auto components.
- **The Ministry of Finance rationalised GST by consolidating rate slabs, reducing rates for the automobile sector including small cars, two-wheelers, commercial vehicles and select auto parts and exempting life and health insurance premiums under GST 2.0, to ease consumer burden, revive demand and support economic growth**

InvIT and REIT

- Securities and Exchange Board of India ('SEBI') revised InvIT and REIT master circulars to rationalise sponsor lock-in norms and allow intra-group transfer of locked-in units, improving structuring and exit flexibility for foreign sponsors and global infrastructure investors in India
- The introduction of follow-on offers ('FOO') enables InvITs and REITs to raise additional capital post-listing, offering foreign infrastructure investors a scalable funding mechanism without dilution of operational control.
- Provisions inserted relating to mandatory minimum public unit-holding (25 per cent), due-diligence certification and interest provisions for failed allotments/listings thereby strengthening regulatory certainty.

FREE TRADE AGREEMENTS

- India and the UK signed the Comprehensive Economic and Trade Agreement ('CETA') to boost trade and investment through zero-duty access on 99 per cent of Indian exports, improved services access, easier professional mobility and up to three years' social security relief for Indian workers.
- The India Oman Comprehensive Economic Partnership Agreement ('CEPA') lowers trade barriers, expands cooperation across key sectors including infrastructure, manufacturing, logistics and green energy, and explores local-currency trade and a Bilateral Investment Treaty.
- India–New Zealand FTA offers 100 per cent duty-free access for Indian exports, a US$ 20 billion investment commitment, safeguards for sensitive sectors and benefits for labour-intensive industries and student mobility.
- **India and the European Union concluded negotiations on a comprehensive FTA, covering economies with a combined market exceeding US$ 24 trillion, annual bilateral trade of over US$ 136.54 billion aiming to expand trade, investment and supply-chain integration.**

MISCELLANEOUS

- The European Commission proposed an Omnibus package to cut sustainability compliance by 25 per cent (35 per cent for SMEs) by simplifying reporting standards, the EU Taxonomy and due-diligence norms.
- MoEFCC amended Plastic Waste Management Rules to mandate recycled content, strengthen EPR, introduce importer credits, set reuse norms for rigid packaging and require CPCB portal reporting.

DIGITAL INDIA

- **Government notified the Digital Personal Data Protection ('DPDP') Rules, to establish the operational framework for India's new data privacy regime and setting out detailed procedures for consent management, breach reporting, data retention, and cross-border transfers aims to provide citizens with greater control over their personal data while offering businesses a clear and structured compliance pathway aligned with global standards.**

FOREIGN TRADE

(April - August 2025)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	**Main Exports to**	**Share (%)**	**Main Imports From**	**Share (%)**
1	USA	19.77	China	15.73
2	UAE	8.37	Russia	8.85
3	Netherlands	5.20	UAE	8.79
4	UK	3.32	USA	6.33
5	China	3.26	Saudi Arabia	4.18
6	Singapore	2.96	Iraq	4.01
7	Saudi Arabia	2.69	Indonesia	3.16
8	Bangladesh	2.62	Switzerland	3.02
9	Germany	2.43	South Korea	2.95
10	Australia	1.96	Singapore	2.92

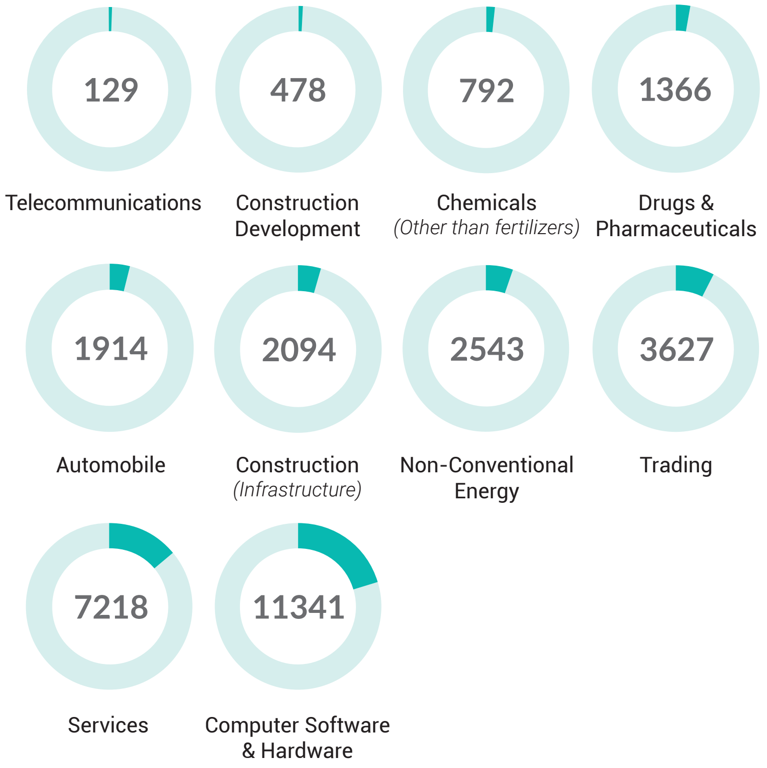
FOREIGN DIRECT INVESTMENT

(US$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	**Country**	**2023**	**2024**	**2025 (Till - Sep)**	**Cumulative Inflows (Jan 2000 - Sep 2025)**	**% to total Inflows (Jan 2000 - Sep 2025)**
1	Singapore	11,568	16,310	14,902	186,826	24
2	Mauritius	8,444	7,892	4,849	183,847	24
3	USA	3,922	5,900	8,341	77,413	10
4	Netherlands	2,619	6,715	2,186	54,959	7
5	Japan	3,102	1,807	2,329	45,692	6
6	United Kingdom	1,048	861	784	36,453	5
7	UAE	2,681	4,639	2,539	25,187	3
8	Cayman Islands	363	422	1,907	17,469	2
9	Cyprus	919	1,191	1,425	16,057	2
10	Germany	564	463	430	15,410	2

SECTORAL COMPOSITION OF FDI

(2025 - Till Sep'25) (US$ million)



Economic Indicators

GROSS DOMESTIC PRODUCT ('GDP')

GDP growth for FY 2025-26 is estimated at 7.4 per cent as compared to 6.5 per cent in FY 2024-25.

Overall GDP growth (%)

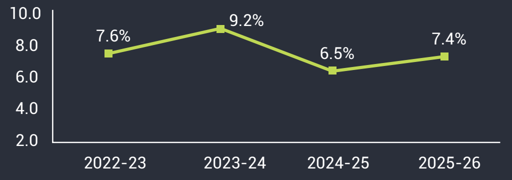


Figure for FY 2023-24 is First Revised Estimate
Figure for FY 2024-25 is Provisional Estimate
Figure for FY 2025-26 is First Advance Estimate

INFLATION

Average retail inflation based on Consumer Price Index ('CPI') decreased from 4.6 per cent in FY 2024-25 to 1.7 per cent in FY 2025-26.

Retail Headline Inflation (%)

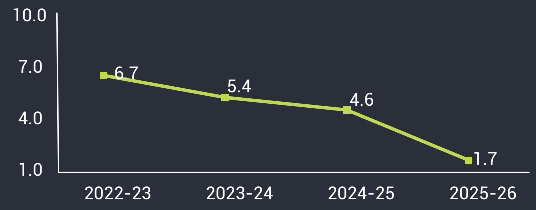
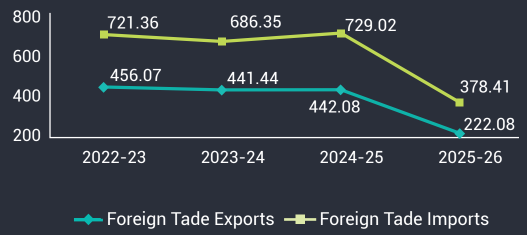


Figure for FY 2025-26 is for the period April - December

FOREIGN TRADE

Exports for the year till September 2025 were US$ 222.08 billion and Imports for the year till September 2025 stood at US$ 378.41 billion.

Exports and Imports (*US$ billion*)



Figures for FY 2025-26 are Preliminary Estimates for April - September

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves stood at US$ 687.73 billion as of December 2025.

Foreign Exchange Reserves *(US$ billion)*

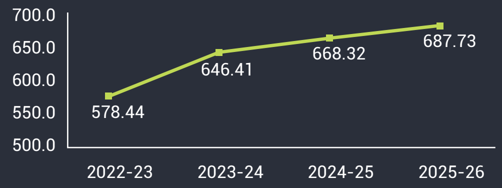


Figure for FY 2025-26 is for end of December 2025

INFRASTRUCTURE

CORE INDUSTRIES

Steel and Cement production during April to December 2025 grew by 9.5 and 8.8 per cent respectively over the corresponding period of the previous year. Production of refinery products, fertilizers, and electricity increased, while there was a decline in production of coal, crude oil and natural gas.

Growth Rates in Core Industries (Y-o-Y basis in %)

SECTOR	2022-23	2023-24	2024-25	APRIL TO DECEMBER	
				2024-25	2025-26*
Coal	14.8	11.8	5.1	6.2	-0.7
Crude Oil	-1.7	0.6	-2.2	-2.1	-1.9
Natural Gas	1.6	6.1	-1.2	0.8	-3.2
Refinery Products	4.8	3.6	2.8	2.7	0.1
Fertilizers	11.3	3.7	2.9	1.6	1.7
Steel	9.3	12.5	6.8	6.8	9.5
Cement	8.7	8.9	6.3	4.0	8.8
Electricity	8.9	7.1	5.2	5.4	0.3
Overall Growth	**7.8**	**7.6**	**4.5**	**4.5**	**2.6**

** Figures for April to December for FY 2025-26 are Provisional*

POWER

Total power generation registered a decline of 0.17 per cent during April to December 2025 compared to the corresponding period of the previous year. However, generation from renewable energy sources (including small hydro power) registered a growth of 23.12 per cent.

(billion units)

POWER SOURCE	APRIL TO NOVEMBER		
	2024	2025	Growth %
Thermal	908.00	850.44	-6.34
Nuclear	37.91	35.94	-5.18
Hydro (Large)	117.76	133.42	13.30
RES including SHP	169.72	208.95	23.12
Bhutan Imports	5.22	7.71	47.82
Total Power Generation	**1238.61**	**1236.46**	**-0.17**

TELECOMMUNICATIONS

Telecommunication services contribute about 1.2 per cent of GVA, with total connections exceeding 1.2 billion by November 2025 and tele-density rising to around 86.8 per cent, driven by rural growth. Internet subscriptions reached approximately 1.01 billion, while average data usage rose from 62 MB in 2014 to 25 GB by mid-2025, and data prices fell from ₹300 per GB in 2014 to ₹8.3 per GB in 2025, supported by rollout of 5G services and development of indigenous 4G/5G technologies.

RAILWAYS

Indian Railways expanded to approximately 69,439 Rkm as of March 2025, with a further 3,500 km targeted in FY26. Electrification reached about 99.1 per cent of total network by October 2025, improving efficiency. Sustained capital expenditure on capacity augmentation, dedicated freight corridors, rolling stock, signaling, station redevelopment and safety technologies such as Kavach have improved network reliability, strengthened logistics efficiency, safety and passenger experience.

PORTS AND SHIPPING

India's maritime sector improved logistics competitiveness through port modernisation, mechanisation and digital trade facilitation, with container turnaround times at major ports nearing global benchmarks. Number of PPP projects rose from 37 in FY15 to 87 in FY25, with project value increasing nearly 4x and capacity addition of about 660 million tonnes per annum.

SPACE SECTOR

India's space sector achieved major milestones, operating 56 active space assets and demonstrating autonomous satellite docking via SpaDeX. Key achievements include the 100th launch from Sriharikota, the heaviest LEO payload via LVM3-M6, and missions such as GSLV-F15, NASA-ISRO NISAR and Axiom-4. Reforms via IN-SPACe, 300+ start-ups, liberalised FDI up to 100 per cent, and the launch of ₹10 billion venture capital fund alongside ₹5 billion technology adoption fund to accelerate commercialisation and innovation continue to catalyse private participation.

Important Filing dates for the Year 2026-27

(The dates may be revised as per the notification by the regulators)

TAX

Regulatory Matter	Due Date
Corporate Tax Return	October 31st/ November 30th
Tax Audit Report	September 30th/ October 31st
Transfer Pricing Report	October 31st
TDS/TCS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
Business/Professional not requiring audit	August 31st
GST Periodical Returns	
- Turnover > ₹50 million	Monthly
- Turnover ≤ ₹50 million	Quarterly/Monthly
GST Annual Return (GSTR-9)	
- Turnover > ₹20 million	Annually
GST Reconciliation statement and self certification by management (GSTR-9C)	
- Turnover > ₹50 million	Annually

COMPLIANCE

Regulatory Matter	Due Date
Deposit of TDS	7th of every month
Deposit of GST	
- Turnover > ₹50 million	20th of every month
- Turnover ≤ ₹50 million	20th/ 22nd/ 24th of every month/ Quarter*

**Differs according to State*

CORPORATE LAW

Regulatory Matter	Due Date
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Annual Accounts with the ROC	Within 30 days from conclusion of AGM

SNAP SHOT

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19+	**70**	**6000+**	**1300+**
Locations	Partners/ Directors	Clients	In-house Professionals

GLOBAL PRESENCE

50,000	**750**	**147**
People	Offices	Territories

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