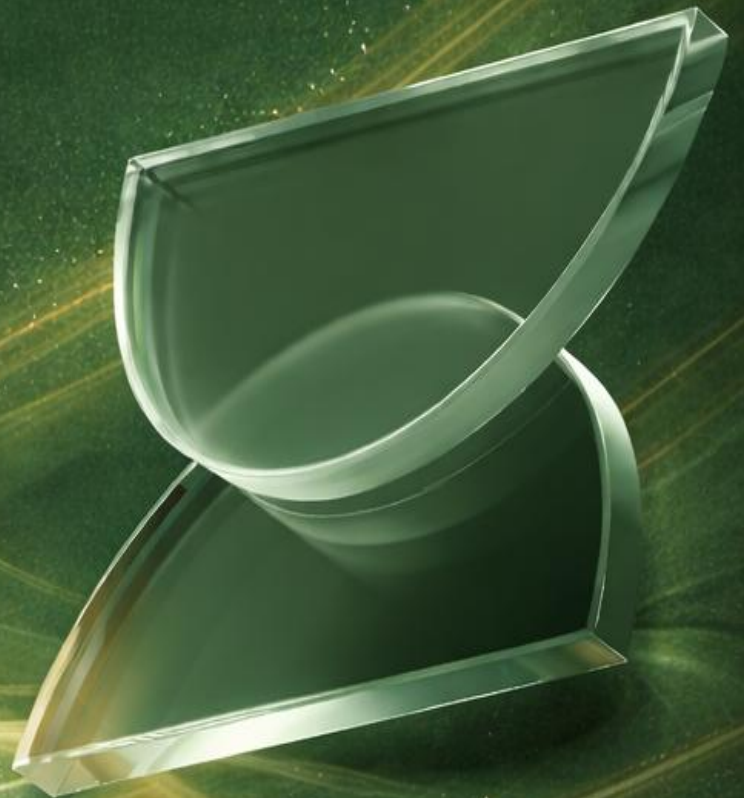


# Union Budget 2026-27



Dear Reader,

The Union Budget 2026–27 reflects a measured and cautious approach to economic management, fiscal consolidation and structural reforms. Positioned as a step toward the broader Viksit Bharat vision, the Budget reinforces the government's preference for steady capital expenditure, gradual deficit reduction, and *atmanirbhar* India amid persistent global uncertainties.

With the fiscal deficit targeted at 4.3% of GDP and a continued emphasis on public capital expenditure, the Budget underscores a commitment to infrastructure-led growth and financial discipline. Manufacturing, MSMEs, and tourism receive incremental policy attention through ongoing schemes, credit support mechanisms, and infrastructure augmentation; however, these measures largely build on existing frameworks rather than introducing transformative incentives or structural shifts. The approach signals stability and predictability but stops short of providing a decisive push capable of materially accelerating private investment or demand.

Notably, the Budget avoids major tax reforms, sweeping sectoral incentives, or bold deregulation initiatives. While this restraint supports policy continuity and investor confidence, it also results in a perceptible absence of a “wow factor.” Expectations around stronger consumption stimulus, deeper manufacturing competitiveness measures, or a comprehensive tourism revival package remain only partially addressed. Overall, the Budget failed to meet expectations, offering little in terms of surprise or innovation.

At **BEGUR & PARTNERS**, we recognize that the true impact of any budget extends beyond policy announcements, it lies in the legal and regulatory implications that shape business strategies, investment decisions, and long-term economic growth. Our in-depth analysis explores these developments across multiple sectors, providing a strategic perspective for businesses, investors, and policymakers alike.

As India moves forward on this path of growth and reform, we remain committed to supporting our clients with insightful legal guidance and expert advisory services. We hope this analysis serves as a valuable resource, and we welcome the opportunity to engage in further discussions on the evolving regulatory landscape.

**Team BEGUR & PARTNERS**

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## UNION BUDGET 2026-27: KEY HIGHLIGHTS

### **KEY POLICY INITIATIVES & SECTORAL REFORMS**

The Union Budget 2026-27 introduces sector-specific incentives and regulatory reforms across key industries, including manufacturing, financial services, agriculture, and infrastructure development. Some of the most notable policy measures include:

#### **1. Technology & Digital Economy**

- INR 24,000 crore allocation for telecom infrastructure creation and augmentation (up from INR 9,650 crore RE 2025-26), indicating continued public funding support for network rollout and capacity expansion.
- Continued outlay for Centralised Monitoring System 2.0 (INR 100 crore), signalling sustained government investment in digital surveillance and lawful interception infrastructure.

#### **2. Financial & Taxation Reforms**

- Introduction of New Income Tax Act with effect from 1<sup>st</sup> April 2026.
- Gross Tax Revenue projected at INR ₹44.04 lakh crore; Net Tax Revenue to Centre at INR 28.67 lakh crore, reflecting higher direct tax dependence (income + corporation tax together exceed indirect taxes).
- GST Compensation Cess phased out-budget notes explicitly state removal of “Transfers to GST Compensation Fund” from BE 2026-27 onwards.
- Fiscal consolidation continues: Fiscal deficit reduced to 4.3% of GDP (from 4.4% RE 2025-26)

#### **3. Infrastructure & Urban Development**

- Capital Expenditure increased to INR 12.21 lakh crore; Effective Capex at INR 17.14 lakh crore (22.8% of total expenditure), reinforcing infrastructure-led growth strategy.
- Urban-focused allocations: (a) PMAY-Urban + PMAY-Urban 2.0: INR 21,625 crore combined; (b) AMRUT: INR 8,000 crore; (c) Urban Challenge Fund: INR 10,000 crore.

#### **4. Manufacturing & MSME Support**

- Continued funding for Production Linked Incentive (PLI) schemes, including:
  - **Pharmaceuticals:** INR 2,500 crore
  - **White Goods** (ACs & LEDs): INR 1,004 crore



- New Plug-and-Play Industrial Parks scheme allocated INR 3,000 crore, aimed at faster industrial deployment readiness.
- National Industrial Corridor Development & Implementation Trust (NICDIT) maintained at INR 3,000 crore.

## 5. Green Economy & Renewable Energy

- **Energy sector outlay increased to INR 1.09 lakh crore** (from INR 86,471 crore RE 2025-26).

### **KEY LEGAL AND REGULATORY IMPLICATIONS**

The Union Budget 2026-27 introduces several key regulatory changes aimed at simplifying compliance, reducing litigation, and fostering a more investor-friendly business environment. Notable legal and regulatory measures include:

- **Corporate & Investment Laws:** Person PROI will be permitted to invest in listed Indian co. through portfolio scheme. Further, Investment limit for PROI inc. to 10% and overall investment limit of PROI inc. to 24.
- **Financial Sector Reforms:** (i) Effective capital expenditure enhanced to INR 17.14 lakh crore, including grants for creation of capital assets, supporting long-tenor lending, project finance, and infrastructure-linked credit expansion by banks and NBFCs. (ii) Incentive of INR 100 crore for a single bond issue exceeding INR 1,000 crore in rural bonds, to encourage large-scale rural financing.
- **Regulatory Modernization:** (i) Introduction of New Income Tax Act with effect from 1<sup>st</sup> April 2026 with the intent to make it user friendly and ease filing process for general public; (ii) Comprehensive review of FEMA Non-Debt Instruments rules to create a more contemporary, simplified, and user-friendly foreign investment framework.
- **Ease of Doing Business:** Higher capital grants to States for infrastructure (INR 1.85 lakh crore as special assistance loans) reduce execution risk in land, logistics, and utilities-linked approvals.

## UNION BUDGET 2026-27: DIRECT TAX

### ➤ ECONOMIC SURVEY 2025-26

#### 1. Direct Taxation

- Centre's revenue receipts strengthened from 8.5% of GDP (FY16-FY20) to 9.1% of GDP (FY22-FY25), primarily driven by buoyant direct tax collections. Improvement supported by tax reforms, technology-enabled compliance, deeper formalisation, and improved corporate profitability.
- **Personal income tax** collections grew by 6.8% YoY during FY26 (up to November 2025).
- **Corporation tax** collections increased by 7.8% YoY during the same period, despite continuation of concessional regimes and no rate increases (Chapter II, para 2.10).

#### 2. Transfer Pricing

- Survey highlights misalignment between income-tax transfer pricing rules and customs valuation principles. This misalignment leads to higher disputes and compliance costs, especially for manufacturing and cross-border trade.
- Greater coordination between TP and customs frameworks identified as critical to reducing litigation and enhancing global competitiveness.

#### 3. Mergers and Acquisitions (Tax Perspective)

- No dedicated discussion on M&A taxation in the Survey.
- Emphasis on stable tax policy, buoyant direct taxes, and improved compliance mechanisms supports a predictable investment environment.
- These factors indirectly facilitate corporate restructuring and capital reallocation.

### ➤ BUDGET HIGHLIGHTS

#### Direct Tax Updates: Individual Taxation/HUFs

1. **Implementation of the Income-tax Act, 2025:** The Government has reaffirmed the implementation of the Income-tax Act, 2025 with effect from April 01, 2026, which seeks to consolidate and simplify the provisions governing personal direct taxation.
2. **Slab Rates:** No change in income-tax slab rates for individuals/HUFs under both the old and new tax regimes for Assessment Year 2026–27. The existing slab structure continues, ensuring stability and certainty in personal taxation.

3. **Timelines for ITRs:** Staggered timelines for filing Income-tax Returns have been introduced to ease compliance, with ITR-1 and ITR-2 due by 31 July and returns for other categories due by 31 August. The time limit for filing revised returns has been extended to 31 March, subject to a nominal fee.
4. **Interest income received on compensation awarded under the Motor Vehicles Act, 1988** has been **exempted from income tax**, providing relief to accident victims and legal heirs and removing ambiguity regarding the taxability of such compensatory interest.
5. **TAN Requirement:** To reduce compliance burden for the resident individual and Hindu undivided family, relaxation from requirement to obtain tax deduction and collection account number (TAN) by a resident individual or HUF, where the seller of the immovable property is a non-resident has been provided.
6. **Simplification:** Simplified ITR forms under the **new Income Tax Act, 2025**, to be notified soon to ease compliance.

### Non - Residents

1. **Withholding Tax on Property Transactions:** TDS obligations in respect of sale of immovable property by Non-Resident Indians (NRIs) have been clarified, placing the responsibility for tax deduction on the resident purchaser, in accordance with the revised provisions.
2. **Foreign Asset Disclosure for Non-Residents:** A one-time six-month foreign asset disclosure scheme has been proposed for specified categories of small non-resident taxpayers, including students and technology professionals, to regularise low-value or inadvertent non-disclosures.
3. **Tax Incentives for Capital Goods Supply:** A five-year tax exemption for non-residents supplying capital goods/equipment in specified cases (bonded zones) was reported in live coverage.

### Corporate Tax

1. **Corporate Tax Rates:** No specific headline change to headline corporate tax rates was reported in early live coverage.
2. **Taxation of Share Buybacks:**
  - **Tax Treatment of Buy-back Proceeds:** Taxation of share buy-backs has been rationalised by proposing to tax the consideration received as capital gains instead of dividend income.
  - **Tax Rate for Promoters:** An enhanced effective tax rate of 30% has been proposed for promoter shareholders, while promoter companies will be subject to

an effective tax rate of 22%.

- **Effective Date:** These amendments will be effective from 1 April 2026, applicable to tax year 2026-27 onwards.

### 3. Securities Transaction Tax:

- **Revision in STT Rates:** Upward revision in STT proposed to rationalise taxation of capital market transactions.
- **Impact on Derivatives:** STT on equity futures increased by 150% from 0.02% to 0.05%.
- **Policy Objective:** The revision seeks to enhance tax buoyancy and curb excessive speculative activity in the derivatives segment.

### 4. Rationalisation of Investor Declarations:

- Investor Declarations may now be submitted to a depository, which will share them with the respective income payers.
- Reporting to the Income-tax authority has been rationalised from monthly to quarterly, reducing compliance burden.

### 5. Rationalisation of MAT:

- **Policy Objective:** MAT provisions have been rationalised to enable a smooth transition to the new tax regime under the Income-tax Act, 2025.
- **MAT Rates:**
  - a. MAT paid under the old regime will be treated as final tax, with no fresh MAT credit allowed.
  - b. The MAT rate has been reduced from 15% to 14% of book profits.
- **Set-off of MAT Credit: Set-off of existing MAT credit will be permitted only under the new tax regime:**
  - a. Limited to 25% of tax liability for domestic companies.
  - b. Allowed to the extent of excess of normal tax over MAT for foreign companies.

## Decriminalisation of Undisclosed Income or Asset

1. **Disclosure Window:** A one-time six-month window to disclose undisclosed foreign income or assets of small value.
2. **Tax and Levy:** 30% tax on undisclosed income or asset value, plus an additional 30% levy, with immunity from prosecution upon payment.
3. **Relief for Past Compliance:** Where income was taxed but assets were not disclosed, disclosure permitted on payment of a Rs.1 lakh fixed charge, with immunity from penalty and prosecution.
4. **Rationalised Prosecution:** Minor and inadvertent non-compliances to be



decriminalised, while wilful evasion remains subject to strict action.

### TDS/TCS Provisions

- 1. TDS on Transactions Involving NRIs:** TDS responsibility for sale of immovable property by NRIs has been clarified, placing the obligation on the resident purchaser to deduct tax.
- 2. Revision in TCS Rates:** TCS rates have been revised for specified categories, including foreign tour packages and overseas education and medical remittances, to improve reporting and tax collection.
- 3. Relief for Small Taxpayers:** Nil and lower deduction certificates will minimise unnecessary TDS for small taxpayers and reduce cash flow blockages.
- 4. Exemption for Motor Accident Compensation:** No TDS shall be deducted on interest awarded to individuals on compensation granted by the Motor Accidents Claims Tribunal.
- 5. TDS Rationalisation:** Nil and lower deduction certificates for small taxpayers will be issued through automated, system-driven processes, significantly reducing procedural delays and TDS-related compliance burden.
- 6. Electronic Verification:** Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax.

### Capital Gains

Buyback proceeds for all shareholders to be taxed as capital gains, a significant change affecting both individuals and corporates. No adjustment to long-term capital gains slab structures reported yet.

### Start Ups

**Tax Holiday for Cloud Service Providers:** To attract global business and investment and to support the development of critical digital infrastructure, it is proposed to grant a tax holiday up to 2047 to foreign companies providing cloud services globally, provided such services are delivered using data centre infrastructure located in India.

### Cooperative Societies/Trusts

A targeted relief has been provided to co-operative societies by permitting deduction of dividends distributed to members under the new tax regime.

### Transfer Pricing

**Clarification on Transfer Pricing Timelines:** The Budget 2026-27 Memorandum proposes a clarificatory amendment to section 92CA(3A) to address litigation on the time limit for

passing orders by the Transfer Pricing Officer.

The amendment clarifies that the date of limitation for assessment shall be included while computing the 60-day period for issuance of the TPO's order.

The clarification will apply retrospectively from June 01 2007, with corresponding changes effective from 1 April 2026 under the Income-tax Act, 2025.

## **BEGUR & PARTNERS' IMPACT ANALYSIS**

Budget 2026-27 adopts a balanced approach, offering positives in the form of tax stability, compliance simplification, MAT rationalisation, and greater certainty in transfer pricing and digital infrastructure incentives, while lacking fresh tax reliefs or broad-based incentives for individuals, start-ups, and MSMEs. The increase in STT on derivatives may marginally impact market activity, and restrictions on MAT credit utilisation could affect some corporates.

Overall, expectations hinge on effective implementation of the Income-tax Act, 2025, and supporting rules, with the Budget's impact likely to be long-term oriented, improving ease of doing business, reducing disputes, and strengthening investor confidence rather than providing immediate fiscal stimulus.

## UNION BUDGET 2026-27: INDIRECT TAX

### ➤ ECONOMIC SURVEY 2025-26

The key indirect tax updates provided under the Economic Survey can be summarized as follows:

1. GST identified as a stabilising anchor for government revenues and a driver of formalisation. Gross GST collections of INR 17.4 lakh crore during April-December 2025, recording 6.7% YoY growth.
2. Registered GST taxpayers increased from 60 lakh (2017) to over 1.5 crore.
3. E-way bill volumes grew by 21% YoY during April-December 2025, indicating strong transaction momentum.
4. Survey acknowledges continued compliance complexity for MSMEs. Exclusion of petroleum products, electricity, and real estate limits full GST efficiency and neutrality.
5. Excise duty collections moderated from 1.7% of GDP in FY22 to 0.9% in FY25, primarily due to strategic rate cuts on petroleum products and stabilized consumption growth of petrol and diesel.
6. As of November 2025, excise duty collections grew by 9.3% YoY (reaching 60% of budget estimates), while customs duty collections declined by 7.3% YoY (at 60% of estimates) compared to the previous year's performance of 55% and 65%, respectively.
7. Gross GST revenue for April-December 2025 reached Rs. 17.4 lakh crore (6.7% YoY growth), hitting multiple absolute all-time highs as collections stabilized through economic formalization despite lower inflation.
8. GST revenues remain strong as the tax base more than doubled to over 1.5 crore registered taxpayers, while cumulative e-way bill volumes grew by 21% YoY (April–December 2025), signalling deeper economic formalization.
9. Effective September 2025, the 56th GST Council meeting streamlined the tax into a three-tier structure (5%, 18%, and 40% de-merit rate) as the final leg of major tax reforms alongside corporate and personal income tax overhauls.

### ➤ BUDGET HIGHLIGHTS

### Customs Duty-Trade Facilitation & Simplification

1. **AEO-based Facilitation:** AEO accreditation to be used as the core eligibility criterion for availing major procedural benefits, strengthening trust-based compliance.
2. **Non-Adversarial Framework:** Customs penalties to be treated as a 'charge' rather than a punitive levy, promoting a taxpayer-friendly approach.
3. **Advance Rulings:** Further simplification of tariff structures proposed to minimise classification disputes and litigation.
4. **SEZ-DTA Transactions:** Eligible SEZ units permitted to supply goods to DTA importers at concessional rates, supporting domestic manufacturing and supply chains.
5. **Digitalisation of Customs:** Introduction of a Customs Integrated System (CIS) as a single, integrated platform for all customs processes to enhance efficiency and transparency.

### GST - Policy Continuity

1. **Rate Stability:** No major GST rate changes announced, reinforcing policy continuity.
2. **Compliance Simplification:** Continued focus on automation, simplified procedures, and dispute reduction.
3. **Risk-Based Enforcement:** Increased reliance on data analytics and targeted audits, while maintaining facilitative compliance for MSMEs.

**Note:** A detailed summary of the legislative and tariff reforms introduced under the Union Budget has been provided in **Annexure A**, providing key amendments across GST, customs duties, excise, and other indirect tax provisions for ease of reference and analysis.

### ➤ BEGUR & PARTNERS' IMPACT ANALYSIS

Under the Reform Express agenda aligned with the Viksit Bharat vision, Budget 2026-27 delivers several positives through GST and customs tariff reforms that enhance liquidity, simplify compliance, and promote export competitiveness.

Measures such as provisional refunds, rationalised credit note provisions, tariff exemptions for critical sectors, and trust-based, technology-driven customs processes address long-standing industry concerns.

However, the absence of detailed implementation timelines, particularly for SEZ to DTA transactions and integrated digital platforms, may delay the full realisation of benefits.

Overall, the reforms are expected to have a structural and long-term impact by improving ease of doing business, reducing transaction costs, and strengthening India's integration into global value chains rather than providing immediate fiscal relief.

## UNION BUDGET 2026-27: PRIVATE EQUITY AND VENTURE CAPITAL MERGERS AND ACQUISITIONS AND STARTUPS

### ➤ ECONOMIC SURVEY 2025-26

#### 1. PE & VC, M&A

- India's investment momentum strengthened in FY26, with Gross Fixed Capital Formation growing 7.8%, supported by sustained public capital expenditure and revival in private investment activity.
- Capital markets deepened significantly, with the number of unique investors crossing 12 crore in September 2025, nearly 25% of whom are women, expanding the domestic investor base for PE and VC exits.
- Demat accounts exceeded 21.6 crore, with 235 lakh new accounts added during FY26 (till December 2025), strengthening secondary market liquidity and exit opportunities.
- The mutual fund investor base expanded to 5.9 crore unique investors, with increasing participation from non-metro regions, indicating broader capital market penetration.
- India's financial system assets rose to nearly 187% of GDP, while capital markets expanded from 144% of GDP in 2017 to 175% of GDP in 2024, reflecting growing capacity to absorb alternative investments.
- The banking sector's GNPA ratio declined to a multi-decadal low of 2.2% (September 2025), improving credit availability and co-investment potential alongside PE and VC funds.
- Strong domestic liquidity conditions and improving asset quality have enhanced risk appetite for private capital deployment across sectors.
- Production Linked Incentive (PLI) schemes across 14 sectors have attracted over ₹2.0 lakh crore of actual investment, generating incremental production exceeding ₹18.7 lakh crore, accelerating strategic acquisitions and capacity expansion.
- The India Semiconductor Mission, with 10 approved projects involving ₹1.60 lakh crore investment, has created a strong platform for domestic and cross-border M&A in semiconductors, electronics and advanced manufacturing.
- India ranked fourth globally in Greenfield investment announcements in 2024, with over 1,000 projects, strengthening inbound strategic investment activity.



## 2. Startups

- India remains one of the world's largest startup ecosystems, supported by strong macroeconomic growth, rising consumption and expanding digital infrastructure.
- Services sector growth of 9.3% in H1 FY26, coupled with record services exports of USD 387.6 billion, continues to provide a strong base for technology-led startups.
- The services sector accounted for over 80% of total FDI inflows during FY23–FY25, reinforcing investor confidence in tech, digital, fintech, SaaS and platform-based startups.
- PLI-driven manufacturing expansion, semiconductor investments and renewable energy growth are catalysing deep-tech, climate-tech and manufacturing-linked startups.
- Strong financial inclusion through schemes such as PMJDY, Mudra and Stand-Up India continues to support early-stage entrepreneurship, MSME formalisation and startup scalability.
- The expansion of GIFT City as an International Financial Services Centre (IFSC) is creating an enabling ecosystem for startup funding, offshore structures and global capital flows.

## 3. Foreign Investment

- Despite global uncertainty, gross FDI inflows reached USD 64.7 billion during April–November 2025.
- India's foreign exchange reserves rose to USD 701.4 billion (January 2026), providing strong external stability and reinforcing long-term investor confidence.
- India's growing integration into global value chains, supported by infrastructure expansion and manufacturing competitiveness, is expected to sustain cross-border investment flows.

Overall, the Economic Survey 2025–26 reflects India's continued shift towards an investment-led growth model, supported by stronger financial intermediation, deeper capital markets and sustained public and private capital formation. The Survey and PIB highlights the expanding role of private equity, venture capital, foreign investment and strategic mergers and acquisitions in driving manufacturing growth, innovation and global value chain integration. Together, these reforms and investment trends reinforce India's position as a resilient and attractive investment destination, supporting long-term economic growth and entrepreneurial expansion.

## BUDGET HIGHLIGHTS

### 1. PE & VC

- A comprehensive review of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 has been proposed to create a more contemporary and investor-friendly framework for foreign investments, improving clarity for PE and VC inflows.
- A ₹10,000 crore SME Growth Fund to be introduced to create “Champion SMEs”, providing scalable investment opportunities for private equity funds.
- Additional INR 2,000 crore allocation to the Self-Reliant India Fund, strengthening equity and quasi-equity funding for micro and growth-stage enterprises.
- Expansion of sector-specific manufacturing ecosystems (biopharma, semiconductors, electronics, textiles, chemicals, rare earths and capital goods), widening the PE/VC investment pipeline.
- Infrastructure Risk Guarantee Fund to improve project bankability and crowd-in private capital in infrastructure assets.
- Municipal bond incentives, including INR 100 crore incentive for issuances above INR 1,000 crore, strengthening alternative investment avenues for infrastructure-focused funds.
- Tax holiday till 2047 for foreign cloud service providers using Indian data centres, enhancing attractiveness of India-based digital infrastructure investments.
- Safe harbour regime for warehousing and bonded logistics, reducing tax friction for foreign investors.
- Exemption from MAT for non-residents paying tax on presumptive basis, improving certainty for offshore investment vehicles.

## **2. M&A**

- With a view to enabling fast-track dispute resolution, it is proposed to integrate assessment and penalty proceedings through a single common order, after providing the taxpayer a reasonable opportunity of being heard.
- Buybacks for all shareholders to be taxed as capital gains, providing uniformity and certainty in transaction structuring.
- Additional buyback tax on promoters, increasing transparency in capital reorganisation transactions.
- MAT proposed to become final tax from 1 April 2026, eliminating future credit accumulation and improving acquisition modelling.
- Permission to update tax returns even after reassessment initiation, lowering dispute

risk in M&A transactions.

- Decriminalisation of select offences, including non-production of books and certain TDS defaults, easing regulatory risk in corporate restructuring.
- Safe harbour expansion and fast-tracking of APAs for IT services, enhancing valuation certainty in technology-led acquisitions.

### **3. Start Up and MSME Related Budget Proposals**

- Fresh contribution to the existing Start-up Fund of Funds announced to strengthen access to growth capital.
- Exploration of a dedicated Deep Tech Fund of Funds to support next-generation technology start-ups in frontier sectors.
- Tax holiday eligibility window for start-ups proposed to be extended till 31 March 2030, providing continued fiscal support.
- Complete removal of INR 10 lakh per-consignment cap on courier exports, significantly improving global market access for start-ups and e-commerce exporters.
- Central Public Sector Enterprises mandated to route MSME procurement through TReDS, improving liquidity and receivable financing.
- INR 4,000 crore capital infusion proposed in FY27 for the Self Reliance India Fund, strengthening equity support for MSMEs.
- INR 10,000 crore Champion SMEs Fund announced to promote manufacturing scale-up, competitiveness and export integration.
- Continued emphasis on equity-based MSME funding, building on the INR 50,000 crore Self-Reliant India Fund framework.
- Simplification of TDS/TCS provisions, reducing compliance burden for start-ups and MSMEs.
- Transfer pricing certainty through safe harbour expansion and automated approvals, benefiting start-ups with overseas operations.
- Support for manufacturing start-ups through major sectoral schemes covering biopharma, semiconductors, electronics, chemicals, textiles, container manufacturing and capital goods.
- Government-led skilling initiatives (AVGC labs, Corporate Mitras, university townships) to strengthen start-up talent pipelines.

- Simplified Income Tax framework under the new Income Tax Act, 2025, effective April 2026, improving ease of compliance for emerging businesses.
- Government to facilitate professional institutions such as ICAI, ICSI and ICMAI to design short-term, modular courses and practical tools to develop a cadre of “Corporate Mitras”, particularly in Tier-II and Tier-III towns, to support MSMEs and start-ups in compliance and governance.

### **BEGUR & PARTNERS’ IMPACT ANALYSIS**

The Budget adopts a focused approach to strengthening India’s start-up and investment ecosystem by enhancing access to capital, talent, tax certainty and regulatory ease. Key measures include a INR 10,000 crore Fund-of-Funds for start-ups, exploration of a dedicated Deep Tech Fund-of-Funds, and a INR 10,000 crore SME Growth Fund to support scale-stage enterprises, alongside an additional INR 2,000 crore infusion into the Self-Reliant India Fund to strengthen equity and debt financing. On the policy front, the tax holiday for eligible start-ups is proposed to be extended till 31 March 2030, supported by clarity on AIF taxation, rationalisation of TDS/TCS provisions, transfer pricing reforms, and a transition toward a simpler Income Tax framework, collectively improving investor confidence, reducing compliance burden and facilitating long-term capital formation across the start-up and private markets ecosystem.

## UNION BUDGET 2026-27: REAL ESTATE

### ➤ ECONOMIC SURVEY 2025-26

The key real estate updates from the Economic Survey are summarized as follows:

#### 1. Urbanisation & Housing Demand

- India's urban population continues to witness a steady rise intensifying demand for housing and urban infrastructure.
- Housing demand is increasingly driven by migration to Tier-II and Tier-III cities, reflecting decentralisation of economic activity and employment growth beyond major metros.
- The Survey highlights persistent affordability constraints, reinforcing the need to expand rental housing and transit-oriented development models.
- Expansion of metro rail, highways, high-speed corridors and last-mile connectivity is identified as a key factor reshaping real estate demand patterns across cities.

#### 2. Construction Sector & Economic Linkages

- Construction contributes roughly 10–12% of total employment, making it one of India's largest non-agricultural job creators.
- Strong backward linkages with cement, steel, logistics and MSMEs position construction as a key transmission channel for infrastructure-led growth.
- Central Government capital expenditure has increased nearly 4.2 times, reaching INR 11.21 lakh crore in FY26 (BE), with effective capital expenditure at INR 15.48 lakh crore, significantly supporting housing and urban infrastructure development.

#### 3. Commercial Real Estate and Services-Led Demand

- The services sector remains the primary driver of economic growth, with services accounting for over 56% of GVA in FY26.
- Strong growth in IT–ITeS, digital services and Global Capability Centres continues to support sustained demand for office and commercial real estate.
- Services sector dominance in FDI inflows (over 80% during FY23–FY25) reinforces foreign investor interest in income-generating commercial assets.

#### 4. Real Estate Finance & Credit Conditions



- Housing loans account for approximately 25–30% of total retail bank credit, underscoring the sector's importance to financial system stability.
- The Survey notes improving developer balance sheets, supported by post-RERA consolidation, reduced leverage and greater reliance on formal financing.
- Real Estate Investment Trusts are acknowledged as a growing but still under-penetrated asset class relative to GDP, offering scope for deeper institutional participation in commercial real estate.

## **5. Regulation, Governance & Transparency**

- Regulatory reforms such as RERA have improved project discipline, disclosures and buyer confidence, contributing to greater formalisation of the sector.
- Digitisation of land records, approvals and registrations is identified as a key reform priority to reduce transaction costs and title disputes.
- The Survey flags land administration and title certainty as structural bottlenecks that continue to affect investment velocity.

## **6. Sustainability & Urban Resilience**

- Climate risks such as heat stress, flooding and water scarcity are highlighted as growing constraints on urban real estate development.
- The Survey emphasises green buildings, energy-efficient construction and compact city planning as necessary for sustainable urban growth.
- Real estate is increasingly linked to India's broader climate and sustainability commitments.

Overall, the Economic Survey 2025–26 reflects that India's real estate sector is being driven primarily by infrastructure-led growth, services-sector expansion, manufacturing revival and improved financial system stability, positioning residential, commercial and industrial real estate as key beneficiaries of India's broader investment and urbanisation momentum.

## **BUDGET HIGHLIGHTS**

### **1. Infrastructure and Urban Development**

- Recycling of CPSE real estate assets to be accelerated through creation of dedicated REITs, improving asset monetisation and market liquidity.
- Public capital expenditure increased to INR 12.2 lakh crore, providing strong indirect support to real estate and construction activity.
- Infrastructure Risk Guarantee Fund to be established to de-risk private participation

during the construction phase.

- Development of City Economic Regions (CERs) with an allocation of INR 5,000 crore per region over five years, boosting urban development.
- Expansion of Tier-II and Tier-III city infrastructure, supporting balanced regional growth.
- Incentives for issuance of large municipal bonds, including a ₹100 crore incentive for issuances above INR 1,000 crore, strengthening urban financing.
- INR 2 lakh crore support to States under the SASCI Scheme to strengthen state-level investment and infrastructure creation.

## **2. Transport and Logistics Infrastructure**

- 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.
- New Dedicated Freight Corridors to be established connecting Dankuni (East) to Surat (West) to enhance logistics efficiency.
- 20 new National Waterways to be operationalised over the next five years, beginning with NW-5 in Odisha, linking mineral-rich regions of Talcher and Angul with industrial hubs such as Kalinga Nagar and ports at Paradeep and Dhamra.
- Regional Centres of Excellence to be established for training and skill development of the logistics and waterways workforce.
- Dedicated ship repair ecosystem for inland waterways to be developed at Varanasi and Patna.
- Coastal Cargo Promotion Scheme to increase the share of inland waterways and coastal shipping from ~6% to 12% by 2047.
- Seaplane VGF Scheme introduced to indigenise seaplane operations and enhance last-mile/remote connectivity.

## **3. Healthcare and Medical Infrastructure**

- Existing Allied Health Professional (AHP) institutions to be upgraded and new AHP institutions to be established across government and private sectors.
- Five Regional Medical Hubs to be set up to position India as a global centre for medical tourism services.
- Schemes to support States in establishing five Medical Value Tourism Hubs in partnership with the private sector.

- NIMHANS-2 to be established in North India to strengthen mental healthcare infrastructure.
- National Mental Health Institutes at Ranchi and Tezpur to be upgraded as Regional Apex Institutions.
- Emergency and Trauma Care Centres to be established in district hospitals.
- People-Centric Care Ecosystem to be strengthened, covering geriatric and allied care services.
- Training of 1.5 lakh multi-skilled caregivers to support long-term care infrastructure.
- Under AYUSH, three new All India Institutes of Ayurveda to be established.

#### **4. Education and Skill Development**

- Five University Townships to be developed near major industrial and logistics corridors through the challenge route.
- One girls' hostel in every district to be established through VGF/capital support to improve access to higher education.
- Indian Institute of Creative Technologies, Mumbai to be supported for setting up AVGC (Animation, Visual Effects, Gaming and Comics) Content Creator Labs in 15,000 secondary schools and 500 colleges nationwide.

#### **5. Social Enterprise & Micro-Entrepreneurship**

- Self-Help Entrepreneur (SHE) Marts to be set up as community-owned retail outlets within cluster federations.

#### **6. Science & Research Infrastructure**

- Setting up or upgrading four Telescope Infrastructure facilities to strengthen observational research capabilities.

#### **7. Tourism, Heritage and Culture**

- National Council for Hotel Management and Catering Technology to be upgraded into a National Institute of Hospitality.
- 15 archaeological sites, including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace, to be developed as vibrant, experiential cultural destinations.

#### **8. Regional Development – Purvodaya States and North-East**

- Development of an integrated East Coast Industrial Corridor, with a well-connected node at Durgapur.
- Creation of five tourism destinations across the five Purvodaya States, along with deployment of 4,000 e-buses.
- Launch of a scheme for development of Buddhist Circuits across Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura.

### ➤ **BEGUR & PARTNERS' IMPACT ANALYSIS**

The Union Budget 2026–27 reinforces the Government's infrastructure-led growth strategy, with public capital expenditure increased to ₹12.2 lakh crore and supported by key structural measures such as the Infrastructure Risk Guarantee Fund and ₹2 lakh crore assistance to States under the SASCI Scheme. Major transport and logistics announcements, including high-speed rail corridors, a new east-west Dedicated Freight Corridor, expansion of National Waterways, coastal cargo promotion and seaplane connectivity are expected to materially improve multimodal logistics efficiency and stimulate industrial corridor development. The creation of City Economic Regions with dedicated funding further strengthens integrated urban-industrial clustering, supporting long-term demand for commercial, logistics and institutional real estate.

For the real estate sector, however, the Budget provides limited direct relief. Core industry expectations such as revival of affordable housing incentives, enhancement of home loan interest deductions, GST Input Tax Credit rationalisation and reduction in transaction costs remain unaddressed. The most significant sector-specific development is the accelerated monetisation of CPSE real estate assets through REITs, which is likely to deepen institutional participation in commercial real estate and improve capital recycling. While healthcare, medical tourism, education townships and tourism infrastructure create new asset opportunities, housing demand is unlikely to receive an immediate policy boost. Overall, the Budget positions infrastructure as the primary growth engine, with real estate expected to benefit indirectly through improved connectivity, urban expansion and institutional investment rather than through targeted fiscal or regulatory support.

## UNION BUDGET 2026-27: BANKING AND FINANCE

### ➤ ECONOMIC SURVEY 2025-26

#### 1. Monetary Policy, Liquidity & Cost of Capital

- The RBI cut policy rates aggressively during 2025, supported by easing liquidity conditions, reversing the macroprudential tightening imposed in 2023 as domestic conditions improved.
- India achieved a Union fiscal deficit of 4.8% of GDP in FY25 (against a budgeted 4.9%) and has targeted 4.4% in FY26, reinforcing monetary–fiscal coordination and market confidence.
- India's 10-year government bond yield stood at ~6.7%, remaining higher than peers such as Indonesia (~6.3%) despite equivalent sovereign credit ratings (BBB), underscoring the Survey's thesis that India's cost of capital is structurally elevated.
- The Survey attributes this structural premium to India's persistent current account deficit and reliance on foreign capital, rather than domestic inflation or policy rates alone.

#### 2. Banking Sector Health, Credit Growth & Capital Adequacy

- The banking system is assessed as financially sound, with strong balance sheets, adequate capital buffers, and stable asset quality.
- Bank credit growth moderated during FY25 but remained “respectable,” reflecting regulatory calibration and global uncertainty rather than domestic stress.
- Capital adequacy across scheduled commercial banks remains well above regulatory thresholds, supporting shock absorption in a volatile external environment.
- Improved recoveries, disciplined underwriting, and resolution under the Insolvency and Bankruptcy Code (IBC) continue to structurally strengthen bank balance sheets.

#### 3. Non-Banking Financial Companies (NBFCs)

- NBFCs remain critical conduits of credit, particularly to MSMEs and retail borrowers, but the Survey reiterates concerns around bank–NBFC interconnectedness.
- Regulatory emphasis has shifted toward stress testing, liquidity buffers, and differentiated risk weights, rather than blunt credit suppression.
- The Survey endorses risk-based supervision, recognising NBFCs' role in last-mile credit delivery while mitigating systemic spillovers to banks



#### **4. Capital Markets, External Finance & Currency Dynamics**

- India received credit rating upgrades from three agencies in 2025, including an upgrade by S&P from BBB- to BBB, its first major upgrade in nearly 2 decades.
- Despite strong macro fundamentals, the Indian Rupee underperformed in 2025, reflecting capital flow volatility and global risk aversion rather than domestic weakness.
- Gold prices rose sharply, from USD 2,607 per ounce to over USD 4,300 during 2025, signalling global financial stress and heightened risk pricing.
- The Survey stresses that services exports alone cannot ensure currency stability and that durable external resilience requires competitive manufacturing exports and deeper integration into global value chains.

#### **5. Systemic Risk, AI & Global Financial Fragility**

- The Survey identifies leveraged AI-infrastructure investments as an emerging global financial vulnerability, with over USD 120 billion reportedly shifted off-balance-sheet by global tech firms through special purpose vehicles.
- A correction in AI-linked assets could transmit shocks across financial markets, capital flows, and real economic activity, particularly in highly financialized economies.
- India is relatively insulated due to lower financialization, strong domestic demand, and robust foreign exchange reserves, but remains exposed through capital flows.

### **BUDGET HIGHLIGHTS**

- Fiscal deficit fixed at INR 16.96 lakh crore (4.3% of GDP) for FY 2026–27, establishing a quantified fiscal consolidation milestone with direct implications for sovereign borrowing, liquidity conditions, and interest-rate transmission.
- Net market borrowing through government securities pegged at INR 11.73 lakh crore, reaffirming the central role of banks, primary dealers, insurers, and pension funds in sovereign debt absorption.
- Interest payments budgeted at INR 14.04 lakh crore, constituting ~20% of total government expenditure, underscoring debt-servicing pressure and the importance of prudent debt management.
- Effective capital expenditure enhanced to INR 17.14 lakh crore, including grants for creation of capital assets, supporting long-tenor lending, project finance, and infrastructure-linked credit expansion by banks and NBFCs.
- Special Assistance to States as loans for capital investment increased to INR 1.85 lakh crore, improving sub-sovereign fiscal capacity and reducing credit risk for lenders financing state-backed infrastructure projects.

- Constitution of a high-level committee on banking for Viksit Bharat to review the banking sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion, and consumer protection.
- Restructuring of public sector NBFCs, as a first step, through restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to improve scale and operational efficiency.
- Comprehensive review of FEMA non-debt instruments rules to create a more contemporary, simplified, and user-friendly foreign investment framework.
- Introduction of a market-making framework for corporate bond indices, including suitable access to funds and derivatives, to deepen the corporate bond market and improve liquidity.
- Articulation of a Viksit Bharat framework for NBFCs, with defined targets for credit disbursement and technology adoption.
- Introduction of total return swaps on corporate bonds to enhance risk management and liquidity in the corporate bond market.
- Incentive of INR 100 crore for a single bond issue exceeding INR 1,000 crore in rural bonds, to encourage large-scale rural financing.
- Permission for PROI to invest in listed Indian companies through the portfolio investment scheme.
- Increase in PROI investment limits: (a) individual PROI limit increased to 10% of a listed Indian company; (b) aggregate PROI investment limit increased to 24%.
- Raising the STT on Futures from 0.02% to 0.05%.
- STT on options premium and exercise of options to be raised to 0.15% from rate of 0.1% and 0.125%, respectively.

## **BEGUR & PARTNERS' IMPACT ANALYSIS**

While the Budget reinforces fiscal stability and credit discipline, it does not offer a clear recapitalisation or capital-raising roadmap for banks, leaving future balance-sheet expansion dependent on internal accruals and market conditions.

Expectations of targeted credit support and risk-sharing mechanisms for MSME lending remain largely unmet, with the Budget relying on existing schemes rather than introducing fresh incentives to stimulate bank and NBFC risk appetite. Despite the growing systemic role of NBFCs, the Budget stops short of announcing any dedicated liquidity, refinancing, or regulatory framework, positioning them only as indirect beneficiaries of public capital expenditure.

Hopes for digital banking, fintech enablement, and compliance simplification were deferred,

as the Budget leaves technology-led transformation and regulatory rationalisation to sectoral regulators rather than fiscal policy.

Overall, the Budget prioritises macro-economic stability over sectoral reform, offering reassurance to markets but falling short of delivering a decisive push for banking, credit expansion, or capital-market deepening.

## UNION BUDGET 2026-27: INVESTMENT FUNDS

### ➤ ECONOMIC SURVEY 2025-26

#### 1. Foreign Direct Investment (FDI)

- FDI to India increased by 67 per cent (YoY). External commercial borrowings by non-financial entities rose from INR 5 thousand crore to INR 27.7 thousand crore, driving the primary increase in foreign sources.
- India's gross FDI inflows grew to USD 64.7 billion in the first eight months of FY26, compared with USD 55.8 billion in April-November 2024.
- Net FDI surged nearly sevenfold to USD 5.6 billion in April–November FY26, as record gross inflows outweighed higher outward FDI of USD 22.1 billion.

#### 2. Foreign Portfolio Investment (FPI)

- FPI flows were volatile in FY26, shifting from net equity buying in Q1 to net selling in Q2 and Q3, with equity outflows reaching ₹16.5 thousand crore by 13 January 2026 and resulting in overall net selling of Indian securities from April to December 2025.

#### 3. REITs and InvITs

- From April to November 2025, INR 13,893 crore was raised by listed Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).
- Under the SEBI's Small and Medium Real Estate Investment Trusts (SM REIT) framework, the minimum asset size for a scheme was reduced to a range of INR 50 crore to INR 500 crore.

#### 4. International Financial Services Centre (IFSC)

- Per the 'Global Financial Centres Index', GIFT City IFSC has been ranked 43<sup>rd</sup> position out of 120 financial centres.
- GIFT City has shown a strong growth momentum, with over 1,034 domestic and international entities registered across various categories as of 30 November 2025.
- 194 Fund Management Entities managing 310 schemes, USD 26.30 commitments, are operating in IFSC.

### ➤ BUDGET HIGHLIGHTS

#### 1. Investment Funds

- Introduction of a INR 10,000 crore SME Growth Fund to provide equity-based support

to selected MSMEs, enabling the creation of future “Champions”.

- INR 2,000 crore top-up to the Self-Reliant India Fund to continue support to micro enterprises and maintain their access to risk capital.

## **2. REIT and InVIT**

- Introduction of an Infrastructure Risk Guarantee Fund to provide partial credit guarantees, reducing construction-phase risk and strengthening lender and private developer confidence in infrastructure projects.
- Proposal to accelerate monetisation of real estate assets of Central Public Sector Enterprise by setting up dedicated REITs.

## **3. International Financial Services Centre (IFSC)**

- Increase in period of deduction to 20 consecutive years out of 25 years for IFSC units and 20 consecutive years for Offshore Banking Units (OBUs).
- Business income of IFSC units to be taxed at a concessional rate of 15%, after expiry of deduction period.
- Treasury centres in IFSC exempted from deemed dividend provisions if the parent/principal and group entities are listed and located outside India, as notified by the Central Government.

## **BEGUR & PARTNERS' IMPACT ANALYSIS**

The Budget introduced several measures to strengthen investment funds, REITs, InVITs, and the IFSC framework, signaling a clear intent to deepen India's capital markets. The launch of a INR 10,000 crore SME Growth Fund and a INR 2,000 crore top-up to the Self-Reliant India Fund is expected to expand equity access and risk capital availability for smaller enterprises, addressing persistent funding gaps in the MSME and early-stage ecosystem. For REITs and InVITs, initiatives such as accelerated asset monetisation and the Infrastructure Risk Guarantee Fund aim to reduce project-phase risks and attract institutional capital, aligning with market expectations.

Regarding the IFSC at GIFT City, extending the deduction period to 20 consecutive years for IFSC units and OBUs, along with a concessional 15% tax rate on business income post-deduction, provides long-term tax certainty and enhances competitiveness, encouraging global fund and treasury operations. However, greater clarity and more aggressive incentives are needed to fully realise GIFT City's potential, and the Budget stops short of bold tax or regulatory measures that could have boosted fund inflows or sector valuations.



## UNION BUDGET 2026-27: SECURITIES

### ➤ ECONOMIC SURVEY 2025-26

#### 1. Investor Participation

- India's corporate bond market expanded at a 12% CAGR, with outstanding issuances rising from INR 17.5 trillion in FY15 to ₹53.6 trillion in FY25, capped by record-high fresh issuances of INR 9.9 trillion in the final year.

#### 2. Mutual Funds

- The mutual fund industry expanded to 5.9 crore unique investors by December 2025, with 3.5 crore of these investors (as of November 2025) hailing from Non-tier-I and tier-II cities.
- Assets managed through mutual funds increased from less than 10 per cent of GDP in the early 2010s to approximately 23 per cent by FY26 (as of November 2025), amounting to over ₹80 lakh crore.
- As of 30 September 2025, domestic institutional investor (DII) ownership within NSE-listed equities reached 18.7 per cent, with mutual funds and insurance companies acting as a crucial counterbalance to the volatility of foreign capital outflows.

#### 3. Initial Public Offerings (IPO)

- Offer for Sale (OFS) components dominated FY26 (up to December 2025) IPOs, accounting for 58 per cent of total proceeds as existing shareholders sold stakes instead of companies issuing new shares.
- In FY26 (up to December 2025), IPO volumes rose by 20 per cent and the amount mobilised by 10 per cent compared to the same period in FY25, with main board listings increasing from 69 to 94 and capital raised growing from INR 1,46,534 crore to INR 1,60,273 crore.
- SME listings rose from 190 in FY25 to 217 in FY26 (till December 2025), with capital raised increasing from INR 7,453 crore to INR 9,635 crore, contributing to a cumulative total of over 1,380 companies raising over INR 35,000 crore since inception.
- Total resource mobilisation from primary markets reached INR 10.7 lakh crore in FY26 (till December 2025) encompassing both debt and equity, contributing to a five-year cumulative total of ₹53 lakh crore since FY22, of which INR 14 lakh crore was raised through equity issuances

### ➤ BUDGET HIGHLIGHTS

- Comprehensive review of FEMA non-debt instruments rules to create a more

contemporary, simplified, and user-friendly foreign investment framework.

- Introduction of a market-making framework for corporate bond indices, including suitable access to funds and derivatives, to deepen the corporate bond market and improve liquidity.
- Permission for PROI to invest in listed Indian companies through the portfolio investment scheme.
- Increase in PROI investment limits: (a) individual PROI limit increased to 10% of a listed Indian company; (b) aggregate PROI investment limit increased to 24%.
- Increase the Securities Transaction Tax (STT) on Futures from 0.02% to 0.05%, on options premium from 0.1% to 0.15% percent, and, on exercise of options from 0.125% to 0.15%.

#### **BEGUR & PARTNERS' IMPACT ANALYSIS**

The Union Budget 2026-27 has delivered a mixed bag for India's securities markets relative to investor expectations. Immediate market reactions show stress in trading dynamics, primarily due to the significant increase in STT on Futures & Options. This will raise the cost of trading in derivatives. From a long-term perspective, while budget measures do not drastically pivot India's capital markets in unanticipated directions, they do preserve and reinforce key growth drivers that markets expected, i.e., structural continuity, capex momentum, and macro stability rather than large fiscal stimulus surprises. However, there were no major tax incentives or reliefs explicitly targeted at FPIs in this Budget. In conclusion, the Budget supports long-term market stability and structural growth, but its limited short-term measures and absence of targeted tax incentives may temper immediate investor enthusiasm and trading activity.

## UNION BUDGET 2026-27: TECHNOLOGY

### ➤ ECONOMIC SURVEY 2025-26

#### 1. Artificial Intelligence

- The policy discourse on AI has decisively shifted from potential and pilots to widespread adoption, with AI increasingly embedded across business functions, even if still experimental in many cases.
- A global survey cited in the Survey (McKinsey, 2024) notes that 88% of organisations worldwide use AI in at least one business function, underscoring the speed of diffusion.
- India enters the AI era with structural strengths, including a large digital public infrastructure stack, strong IT services capability, and a growing pool of STEM and AI talent.
- Key risks identified include model concentration, financial leverage in AI infrastructure, safety concerns, and workforce displacement, necessitating phased governance and institutional capacity-building.

#### 2. Information Technology (IT) & Information Technology Enabled Services (ITES)

- IT-ITES continues to anchor India's services-led growth model, remaining the country's most globally competitive export sector.
- Software services account for over 40% of total services exports and grew at an average 13.5% during FY23–FY25, significantly outpacing earlier periods.
- The Survey highlights a structural shift toward higher-value, AI-enabled and digitally delivered services, even as traditional cost-arbitrage models face pressure.

#### 3. Cybersecurity

- Cybersecurity is framed as a system-level economic and national security issue, driven by deep digitalisation across finance, governance and public services.
- India's cybersecurity market is estimated at USD 6 billion (2023), growing at approximately 30% annually, reflecting rising demand for threat detection, compliance and managed security services.
- India achieved a Tier-1 ranking on the ITU Global Cybersecurity Index (2024) with a score of 98.49, placing it among the world's most cyber-resilient countries.

#### 4. Telecommunications and 5G

- Telecommunications is recognised as foundational digital infrastructure, underpinning

productivity, inclusion and technology diffusion.

- India's tele-density improved from 75.23% to 86.76% over the past decade, with rural connections growing faster than urban, narrowing the digital divide.
- Nationwide 5G rollout has reached 99.9% of districts, supported by over 5.18 lakh 5G BTS, alongside 100 5G Use Case Labs for innovation and skills.
- Average monthly data consumption rose sharply as wireless data prices declined, reflecting the role of affordability in mass digital adoption.

## **5. Data Centres and Cloud Computing**

- Data centres are identified as critical backbone infrastructure for AI, cloud services, digital public platforms and enterprise digitisation.
- India's installed data centre capacity stood at around 1,280 MW (June 2025) and is projected to expand to ~4 GW by 2030, driven largely by private investment.
- The Survey flags rising energy demand and capital intensity of data centres as potential macro-financial and infrastructure stress points.

## **6. Electronics & Semiconductor Manufacturing**

- Electronics and semiconductors are positioned as strategic priorities to complement India's services-led tech growth and enhance technological self-reliance.
- Policy measures including the India Semiconductor Mission, ECMS and SEZ reforms aim to move India from assembly to component manufacturing, design and fabrication.
- The Economic Survey emphasises that long-term success will depend on infrastructure depth, skilled manpower and supply-chain resilience, beyond fiscal incentives alone.

## **BUDGET HIGHLIGHTS**

### **1. Artificial Intelligence (AI) and Innovation**

- Increase in adoption of AI across different sectors from healthcare & accessibility, customs and security, education, professional development and employment matching.
- Launch of a multilingual AI tool, Bharat Vistar to offer customized advisory to farmers through integration of AgriStack and ICAR systems.
- Setting up a high-powered Education to Employment and Standing Committee to strengthen job outcomes and assess the impact of emerging technologies, including artificial intelligence on India's labour market.

- Creation of over 1,000 accredited India Clinical Trial Sites, enabling data-driven medical research, AI-enabled drug discovery and health-tech innovation.
- Expansion of research ecosystem through 10,000 research fellowships, strengthening deep-tech and applied technology talent pipeline.
- Tax holiday until 2047 for foreign companies providing cloud services to customers using data centre facilities located in India.
- Safe harbour of 15% on cost where data centre services are provided from India by a related entity.
- Exemption from MAT for non-resident digital and cloud service providers paying tax on presumptive basis.

## **2. Semiconductors, Rare Earth Minerals and Manufacturing**

- Launch of India Semiconductor Mission 2.0 to produce equipment and materials, develop full-stack Indian IP and strengthen supply chains.
- Focus on industry-led research and training centres to develop technology and a skilled workforce.
- Increase in outlay to INR 40,000 crores under India Semiconductor Mission 2.0 to accelerate domestic semiconductor manufacturing and ecosystem development.
- Establishment of dedicated rare-earth corridors to promote mining, processing, research and manufacturing.
- Critical minerals processing capital goods exempted from basic customs duty, supporting clean-tech and EV supply chains.
- Proposed Container Manufacturing Scheme with allocation of INR 10,000 crore over five years, supporting logistics and advanced manufacturing.
- Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) to strengthen domestic manufacturing of high-value, technologically advanced equipment.
- Positioning of semiconductors and rare-earth minerals as strategic assets to enhance supply-chain resilience and reduce dependence on imports.

## **3. Animation, Visual Effects, Gaming and Comics (AVGC) and Institute of Design**

- Support for AVGC talent creation through content creator labs in 15,000 schools and 500 colleges.

- Recognition of AVGC and gaming as export-oriented creative technology sectors with potential for IP creation and global monetization.
- Linkage of AVGC growth with emerging technologies such as artificial intelligence, immersive media and real-time digital content tools.
- Deployment of AVGC labs in secondary schools, supporting early-stage digital skills development.
- Proposed establishment of new National Institute of Design to boost design education and development in Eastern India.

## ➤ **BEGUR & PARTNERS' IMPACT ANALYSIS**

From a technology sector perspective, the Union Budget 2026 was expected to provide direction across emerging and strategic areas, including artificial intelligence, digital infrastructure, advanced manufacturing and new-age sectors such as space technology. Key measures include AI deployment across public services, launch of the Bharat-VISTAAR multilingual AI platform, and establishment of a High-Powered Education to Employment Standing Committee to align emerging technologies with workforce outcomes. The Budget also strengthens digital infrastructure through a tax holiday till 2047 for foreign cloud service providers, a 15% safe harbour for data centre services, and MAT exemption for non-resident digital businesses, enhancing India's attractiveness as a global cloud and data hub. On the manufacturing side, the expansion of India Semiconductor Mission 2.0, the ₹40,000 crore electronics components outlay, and creation of dedicated rare-earth corridors reinforce the government's focus on supply-chain resilience and domestic IP creation.

At the ecosystem level, innovation capacity is supported through 1,000+ accredited clinical trial sites, 10,000 research fellowships, and institutional backing for the AVGC sector through creator labs in 15,000 schools and 500 colleges, along with the proposed National Institute of Design in Eastern India. However, the Budget remains selective in its coverage. Several technology segments, including space technology, defence technology, deep-tech research, quantum computing and emerging hardware innovation, do not receive explicit policy or fiscal attention. In addition, issues such as AI-specific regulation, workforce transition mechanisms and commercial frameworks for sectors like gaming and AVGC are left unaddressed. It remains to be seen whether this approach will be complemented by timely post-Budget policy actions and sector-specific regulations, which will be critical to the effective execution of announced measures and to addressing sectors not directly covered in the Budget.



## ANNEXURE A: BUDGET HIGHLIGHTS – INDIRECT TAX

### Goods and Services Tax

#### LEGISLATIVE CHANGES IN GST LAWS:

S. No.	Provision	Amendment / Change	Effective Date
1	Post-sale Discounts (Section 15)	Removal of requirement to link discounts to prior agreements	Date to be notified
2	Credit Notes (Section 34)	Alignment with section 15	Date to be notified
3	Provisional Refunds (Section 54)	Extended to inverted duty structure refunds	Date to be notified
4	Small Refunds (Section 54)	Removal of Rs. 1,000 threshold for export refunds	Date to be notified
5	Advance Ruling Appeals (Section 101A)	Existing Tribunals empowered to hear NAAAR matters	01.04.2026
6	Intermediary Services (Section 13)	Omission of specific deeming provision; POS as per default rule	Date to be notified

### Customs

#### IMPORTANT CUSTOMS DUTY EXEMPTIONS:

- Energy Transition and Security:**
  - Basic Customs Duty (BCD) exemption extended to capital goods used in manufacturing Lithium-Ion Cells for Battery Energy Storage Systems.
  - BCD exemption granted on import of sodium antimonate for use in the manufacture of solar glass.
- Nuclear Power:** Extension of BCD exemption till 2035 for goods required for nuclear power projects, expanded to cover all nuclear plants irrespective of capacity.
- Critical Minerals:** BCD exemption provided on import of capital goods required for processing critical minerals in India, supporting strategic supply chains.
- Green Energy:** Entire value of biogas excluded while computing Central Excise duty on biogas-blended CNG, supporting clean energy adoption.
- Civil and Defence Aviation:** BCD exemption on components and parts used in manufacture of civilian, training, and other aircraft, raw materials imported for manufacture of aircraft parts for defence MRO requirements.
- Electronics Manufacturing:** BCD exemption on specified parts used in the manufacture of microwave ovens, to deepen domestic value addition.

**7. Special Economic Zones (SEZs):** One-time concessional duty facility for eligible SEZ manufacturing units to sell goods in the Domestic Tariff Area (DTA), limited to a prescribed proportion of exports.

**8. Ease of Living**

- Customs duty on personal imports reduced from 20% to 10%.
- BCD exemption on 17 drugs/medicines, including cancer-related treatments.
- Seven additional rare diseases added for duty-free import of medicines and Food for Special Medical Purposes (FSMP).

**9. Exports and E-commerce**

- Duty-free treatment for fish catch by Indian vessels in EEZ and high seas, with foreign port landing treated as export.
- Removal of ₹10 lakh value cap on courier exports, supporting artisans, MSMEs, and e-commerce exporters.

**CUSTOMS DUTY RATE CHANGES**

S. No.	Commodity	Rate of Basic Customs Duty	
		From (per cent)	To (per cent)
<b>I</b>	<b>Critical Minerals</b>		
1.	Monazite	2.5%	Nil
<b>II.</b>	<b>Renewable Energy</b>		
2.	Sodium antimonate for use in manufacture of solar glass	7.5%	Nil
3.	Specified capital goods for use in manufacture of lithium-ion cells for batteries of Battery Energy Storage System	As applicable	Nil
<b>III.</b>	<b>Nuclear Energy</b>		
4.	All goods for generation of nuclear power falling under tariff item 8401 30 00	7.5%	Nil
5.	Control and Protector Absorber Rods, Burnable Absorber Rods for generation of nuclear power falling under tariff item 8401 40 00	7.5%	Nil
6.	Goods required for the setting up of specified Nuclear Power Projects, irrespective of their capacity, where the projects have been registered with the Customs Houses concerned on or before 30 <sup>th</sup> September 2035 in	As applicable	Nil

S. No.	Commodity	Rate of Basic Customs Duty	
		From (per cent)	To (per cent)
	compliance with the Project Import Regulations, 1986		
<b>IV.</b>	<b>Electronics</b>		
7.	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00	As applicable	Nil
<b>V.</b>	<b>Civil Aviation</b>		
8.	Components or parts including engines, of aircraft, for manufacture of aircraft and parts of the aircraft	As applicable	Nil
<b>VI.</b>	<b>Defence Sector</b>		
9.	Raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines, when imported by Public Sector Units under the Ministry of Defence	As applicable	Nil
<b>VII.</b>	<b>Drugs/ Medicines</b>		
10.	17 new drugs/medicines to be added in List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025	5%/10%	Nil
11.	7 rare diseases that are part of National Policy for Rare Disease (NPRD), 2021 to be added in List 22 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 for customs duty exemption on drugs, medicines and food for special medical purposes, when imported for personal use	As applicable	Nil
<b>VIII.</b>	<b>Personal Imports (with effect from 01.04.2026)</b>		
12.	All dutiable goods, imported for personal use under Chapter heading 9804	10%/20%	10%

**Increase/Modification in Customs duty [with effect from 02.02.2026]**

S. No.	Commodity	Rate of Basic Customs Duty	
		From (per cent)	To (per cent)
<b>I.</b>	<b>Chemicals</b>		
1.	Potassium hydroxide	Nil	7.5%
<b>II.</b>	<b>Umbrella and its parts</b>		
2.	Umbrellas (other than garden umbrellas) covered under tariff items 6601 9100 and 6601 9900	20%	20% or Rs. 60 per piece, whichever is higher
3.	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher

### Central Excise Duty Changes

#### Exemption of Central Excise Duty on value of Biogas/Compressed Biogas (CBG) contained in Blended Compressed Natural Gas (CNG):

The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on such Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.

#### Amendment to Seventh Schedule to the Finance Act, 2001 to revise the National Calamity Contingent Duty (NCCD) Rate with effect from 01.05.2026 with no change in the effective duty rate\*\*\*

S.No.	Description	NCCD Rate	
		From (per cent)	To (per cent)
1.	Chewing tobacco	25%	60%
2.	Jarda scented tobacco	25%	60%
3.	Other	25%	60%

\*\*\*effective duty rate will be maintained at 25% by notification

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## Latest Awards and Recognitions

**RSGI Resight (RSG India)**

**IBLJ A List**

A List (2023-2024)

**ALB India Law Awards 2025**

Notable Firm (2024)

**Legal 500**

Private Equity (including Venture Capital) - Tier 5 (2025)

**IFLR1000 (34th Edition) 2024**

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

**Corporate INTL Global Awards**

Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

**Forbes India – Legal Powerlist 2023**

Top Law Firm (above 10 years' experience)

**Asia Law 2022**

Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

**Global Law Expert 2021**

Cross Border Private Equity Transactions Law Firm of the year

**RSG Consulting 2019**

Top 40 Indian Law Firm

