

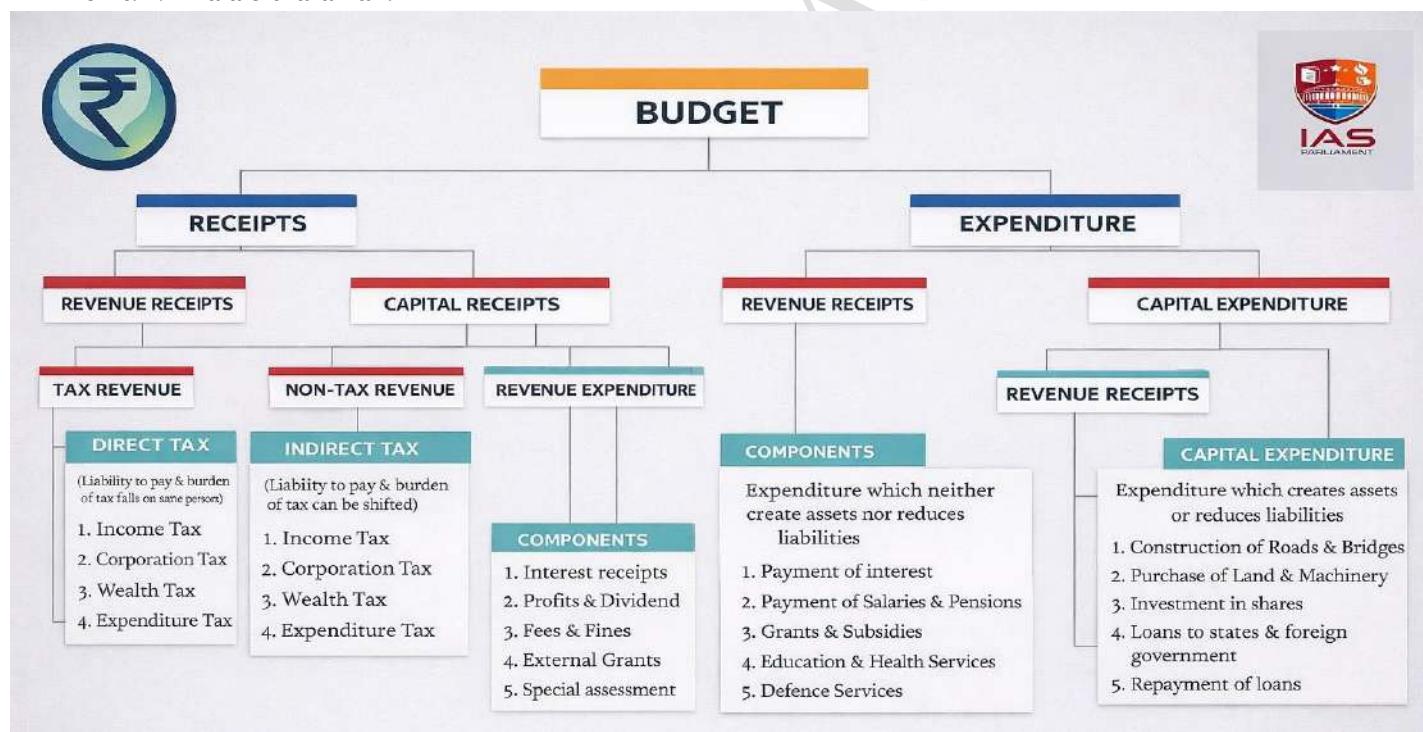


BUDGET 2026 - 2027

- **Budget (Annual financial statement)** - A budget is an estimation of revenue and expenditure over a specified period of time.
- **Constitutional mandate** – The term "Budget" is not explicitly mentioned in the Indian Constitution.

The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the "annual financial statement".

- The budget is referred in Article 112 as the Annual Financial Statement (AFS).
- **Article 112** – The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India
- The Union Minister of Finance Smt. Nirmala Sitharaman presented the Interim Budget 2024-25 in the new Parliament house.
- The Union Budget 2026–27 was presented in Parliament by the Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman.



- **Significance of Budget 2026-2027** – It is the first Budget prepared in Kartavya Bhawan.
- The Finance Minister presented the Budget on the occasion of Magha Purnima and the birth anniversary of Guru Ravidas.
- **Yuva Shakti** – The Budget is described as a Yuva Shakti–driven Budget that reflects the Government's Sankalp to prioritise:
 - The poor,
 - Underprivileged, and
 - Disadvantaged sections of society.

- **The overall vision of the Budget** – To move India steadily towards the goal of Viksit Bharat while maintaining a balance between economic ambition and social inclusion.

The Budget 2026-27 is Inspired by 3 kartavyas:

- **First kartavya** – It is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.
- **Second kartavya** – It is to fulfil aspirations of people and build their capacity, making them strong partners in India's path to prosperity
- **Third kartavya** – It is aligned with vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

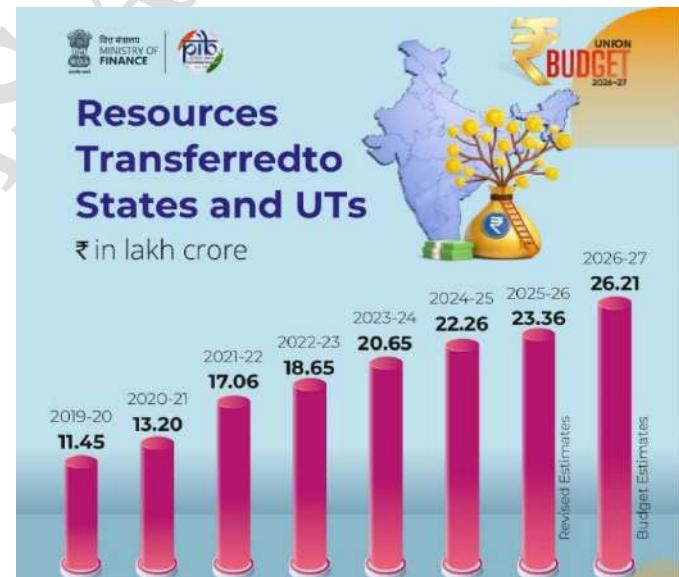


Related Terms

Fiscal deficit	<ul style="list-style-type: none"> • It is defined as excess of total budget expenditure over total budget receipts excluding borrowings during a fiscal year. <ul style="list-style-type: none"> ○ $Fiscal\ deficit = Total\ expenditure - Total\ receipts\ excluding\ borrowings$
Primary Deficit	<ul style="list-style-type: none"> • It is defined as fiscal deficit of current year minus interest payments on previous borrowings. <ul style="list-style-type: none"> ○ $Primary\ deficit = Fiscal\ deficit - Interest\ payments$
Revenue deficit	<ul style="list-style-type: none"> • It is excess of total revenue expenditure of the government over its total revenue receipts. <ul style="list-style-type: none"> ○ $Revenue\ deficit = Total\ revenue\ expenditure - Total\ revenue\ receipts$
Current Account Deficit	<ul style="list-style-type: none"> • It is the shortfall between the money received by selling products to other countries and the money spent to buy goods and services from other nations.
Fiscal Consolidation	<ul style="list-style-type: none"> • The term refers to the things a Government does to maintain good fiscal health which includes reducing debt and wasteful expenditure and improve revenue opportunities.

Budget estimates of 2026-27 as compared to revised estimates of 2025-26

- **Total Expenditure** – The government is estimated to spend Rs 53,47,315 crore in 2026-27.
- This is an increase of 7.7% over the revised estimate of 2025-26.
- **Revenue expenditure** – It is estimated to increase by 6.6%.
- **Capital expenditure** – It is estimated to increase to 11.5% over the revised estimate of 2025-26.
- **Interest payments** – These are expected to increase by 10.2%.
- About 65.3% of the revenue receipts are spent on committed expenditure (salaries, pensions, and interest payments).
- **Total Receipts** – Government receipts (excluding borrowings) are estimated to be Rs 36,51,547 crore, 7.2% higher than the revised estimate of 2025-26.
- The gap between these receipts and the expenditure will be plugged by borrowings, budgeted to be Rs 16,95,768 crore, 8.8% higher than the revised estimate of 2025-26.
- **Transfer to states** – The central government will transfer Rs 26,20,769 crore to states in 2026-27, an increase of 12.2% over the revised estimate of 2025-26.
- Transfer to states includes:
 - Tax devolution of Rs 15,26,255 crore.
 - Grants and loans worth Rs 10,94,514 crore.
- Within this, Rs 1,85,000 crore has been allocated to states as capital expenditure loans.
- **Deficits** – Revenue deficit is targeted at 1.5% of GDP, similar to the revised estimate for 2025-26 (1.5% of GDP).
- Fiscal deficit is targeted at 4.3% of GDP in 2026-27, lower than the revised estimate for 2025-26 (4.4% of GDP).
- **GDP growth estimate** – The nominal GDP is estimated to grow at a rate of 10% in 2026-27.
 - **Capital expenditure** – Expenditure which brings a change to the government's assets or liabilities (such as construction of roads or recovery of loans) is and
 - **Revenue expenditure** – All other expenses are revenue expenditure (such as payment of salaries or interest payments).
- In 2026-27, capital expenditure is expected to increase by about 11.5% over the revised estimates of 2025-26.
- Revenue expenditure is expected to increase by 6.6% over the revised estimates of 2025-26.
- Disinvestment is the government selling its stakes in Public Sector Undertakings (PSUs).
- In 2025-26, the government is estimated to meet 71.9% of its disinvestment target.



- The disinvestment target for 2026-27 is Rs 80,000 crore, higher than the budget target of 2025-26 (Rs 47,000 crore).
- This marks the first increase in the disinvestment target after five consecutive years of downward revisions and shortfalls in achieving the targets.

Receipts Highlights for 2026-27

- Receipts (excluding borrowings)** – They are estimated to be Rs 36,51,547 crore, an increase of 7.2% over the revised estimates for 2025-26.
- This is mainly on account of centre's net tax revenue growing by 7.2%.
- Gross tax revenue is budgeted to increase by 8% in 2026-27, over the revised estimates for 2025-26.
- This is lower than the estimated growth in nominal GDP of 10% in 2026-27.
- Corporation tax and income tax** – Expected to grow by about 11% and 11.7% over the revised estimates of 2025-26, respectively.
- Revenue from CGST** – Expected to register an increase of 6.3% over the revised estimate of 2025-26.
- Devolution to states from centre's tax revenue** – It is estimated to be Rs 15,26,255 crore in 2026-27, an increase of 9.6% over the revised estimates for 2025-26.
- In 2025-26, devolution to states is estimated to be Rs 13,92,971 crore, 2% lower than the budgeted (Rs 14,22,444 crore).
- Net tax revenue (excluding states' share in taxes)** – It is estimated to be Rs 28,66,922 crore in 2026-27, is an increase of 7.2% over the revised estimate for 2025-26.
- In 2025-26, net tax revenue at the revised stage is expected to be 5.7% lower than the budget estimate.
- This is mainly due to lower than budgeted receipts from Income Tax and GST.
- Non-tax revenue includes interest receipts on loans given by the centre, dividends, license fees, tolls, and charges for government services.
- Non-tax revenue** – It is estimated at Rs 6,66,228 crore in 2026-27, roughly same as the revised estimate for 2025-26.
- 59% of the non-tax revenue in 2026-27 is estimated to come from dividend and profits.
- Capital receipts (excluding borrowings)** – They are targeted at Rs 1,18,397 crore, an increase of 85% over the revised estimates for 2025-26.
- This increase is driven by higher receipt estimated from disinvestment.
- The revised estimates for 2025-26 are 15.7% lower than the budgeted amount for that year.
- This is mainly due to underachievement of disinvestment targets.



Expenditure Highlights for 2026-27

- Total expenditure** – It is expected to be Rs 53,47,315 crore, which is an increase of 7.7% over the revised estimate of 2025-26.
- Out of this:**
 - Rs 17,71,928 crore is proposed to be spent on central sector schemes (8.2% increase over the revised estimate of 2025-26), and
 - Rs 9,89,885 crore is proposed to be spent on centrally sponsored schemes (17.1% increase over the revised estimate of 2025-26).
- Pensions** – The government has estimated to spend Rs 2,96,214 crore on pension in 2026-27, which is 3% higher than the revised estimate of 2025-26.
- Expenditure on interest payment** – It is estimated to be Rs 14,03,972 crore, which is 26% of the government's total expenditure.
- In 2026-27, interest payments are expected to increase by 10% as compared to revised estimates of 2025-26.
- Other grants, loans, and transfers (Rs 3,11,691 crore) include Rs 1,85,000 crore as special loans to states for capital expenditure.
- As per the recommendations of the 16th Finance Commission (FC), FC grants for 2026-27 are estimated at Rs 1,29,397 crore.
- This is 15% lower than the revised estimates of 2025-26.

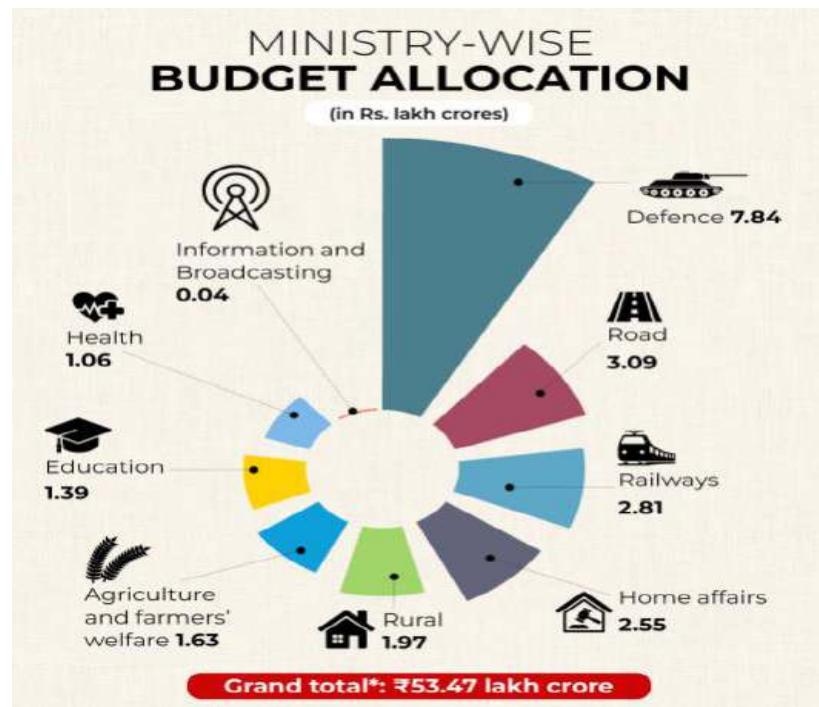


Key Numbers

	2024-25 (Actuals) In ₹ crore	2025-26 (Budget Estimates)	2025-26 (Revised Estimates)	2026-27 (Budget Estimates)
Revenue Receipts	3,03,6619	34,20,409	33,42,323	35,33,150
Capital Receipts	16,16,249	16,44,936	16,22,519	18,14,165
Total Receipts	46,52,867	50,65,345	49,64,842	53,47,315
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315
Effective Capital Expenditure	13,24,609	15,48,282	14,03,906	17,14,523
Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344
Effective Revenue Deficit	2,91,640	96,654	21,8,613	99,642
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768
Primary Deficit	4,58,856	2,92,598	28,4154	2,91,796

Expenditure by Ministries

- In 2026-27, the top 13 ministries in terms of allocations account for 54% of the estimated total expenditure.
- Of these, the Ministry of Defence has the highest allocation in 2026-27, at Rs 7,84,678 crore, accounting for 15% of the total budgeted expenditure of the central government.
- Other ministries with high allocations include:
 - Road Transport and Highways (6% of total expenditure),
 - Railways (5%),
 - Home Affairs (5%).



Expenditure on Subsidies

- In 2026-27, the total expenditure on subsidies is estimated to be Rs 4,54,773 crore, lower than the revised estimate of 2025-26 by 3.1% .
- In 2025-26, at the revised estimates stage, food subsidy was 12% more than budgeted estimate and fertiliser subsidy was 11% higher.
- In 2026-27, food subsidy estimated at Rs 2,27,629 crore and fertiliser subsidy at Rs 1,70,799 crore, together constituting 87% of the total subsidy bill.
- LPG subsidy constitutes 2.6% of the total subsidy bill.

Subsidies					
	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Food subsidy	1,99,867	2,03,420	2,28,154	2,27,629	-0.2%
Fertiliser subsidy	1,70,683	1,67,887	1,86,460	1,70,799	-8.4%
Interest subsidy	21,885	27,840	24,666	27,441	11.3%
LPG subsidy	14,479	12,100	15,121	12,085	-20.1%
Other subsidies	15,692	14,969	15,105	16,820	11.3%
Total	4,22,606	4,26,216	4,69,505	4,54,773	-3.1%

Sources: Expenditure Profile, Union Budget 2026-27; PRS.

Expenditure on Major Schemes

- **VB-G RAM G** – It has the highest allocation in 2026-27 (Rs 95,692 crore).
- In December 2025, MGNREGA was replaced by the VB-G RAM G Act. In 2026-27, MGNREGS has also been allocated Rs 30,000 crore.
- **Jal Jeevan Mission** – It has been allocated Rs 67,670 crore in 2026-27. In 2025-26, the revised estimate (Rs 17,000 crore) is significantly lower than the budget estimate (Rs 67,000 crore).
- **Pradhan Mantri Awas Yojana** – Urban has been allocated Rs 21,62522,025[†] crore in 2026-27, an increase of 179% over the revised estimate for 2025-26.
- **The Pradhan Mantri Awas Yojana** – Rural has an allocation of Rs 54,917 crore in 2026-27, an increase of 69% over the revised estimate of 2025-26.
- Revised estimates for both schemes for 2025-26 is significantly lower than the budget estimates.
- The budget allocation in 2026-27 is similar to amounts originally budgeted in 2025-26.
- **The Viksit Bharat Rozgar Yojana** – It has an allocation of Rs 20,083 crore in 2026-27.
- The scheme provides incentives to newly employed youth and employers.
- **The Bharatnet and the Research, Development and Innovation Scheme** – It have been allocated Rs 20,000 crore each in 2026- 27.
- In 2025-26, as per revised estimates, spending under Bharatnet is expected to be 25% of the budgeted amount, and under RDI scheme, at 15% of the budgeted amount.

Scheme wise Allocation

	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
VB-G RAM G	0	0	0	95,692	-
MGNREGS	85,834	86,000	88,000	30,000	-66%
Jal Jeevan Mission/National Rural Drinking Water Mission	22,612	67,000	17,000	67,670	298%
PM-KISAN	66,121	63,500	63,500	63,500	0%
Pradhan Mantri Awas Yojana – Rural	32,327	54,832	32,500	54,917	69%
Samagra Shiksha	36,288	41,250	38,000	42,100	11%
National Health Mission	38,889	37,227	37,100	39,390	6%
Saksham Anganwadi and POSHAN 2.0	21,014	21,960	20,949	23,100	10%
Modified Interest Subvention Scheme	22,600	22,600	22,600	22,600	0%
Pradhan Mantri Awas Yojana – Urban	5,865	25,794	7,900	22,025	179%
PM Surya Ghar Muft Bijli Yojana	7,818	20,000	17,000	22,000	29%
PM Viksit Bharat Rozgar Yojana	0	0	0	20,083	-
Bharatnet	3,995	22,000	5,500	20,000	264%
Research, Development and Innovation (RDI) Scheme	0	20,000	3,000	20,000	566.7%

Sources: Expenditure Profile, Union Budget 2026-27; PRS.

Loans to states for capital expenditure

- Rs 1,85,000 crore rupees has been budgeted for special interest-free loans to states for capital expenditure in 2026-27.
- The revised estimates for 2025-26 is Rs 1,44,000 crore, against a budget allocation of Rs 1,50,000 crore.

Expenditure on vulnerable sections and the North Eastern Region (NER)

- These allocations include programmes being implemented across all ministries.
- Women** – Allocation towards the welfare of women is estimated to increase due to increased allocation towards the Pradhan Mantri Awas Yojana.
- Under the Awas Yojana, the female head of the family must be the owner or co-owner of the house.
- Children** – Allocation towards the welfare of children is estimated to increase due to a higher allocation towards school education under POSHAN, PM-SHRI, and the Samagra Shiksha scheme.
- Scheduled Castes** – It is estimated to be higher due to increased allocation under the Jal Jeevan Mission and the Viksit Bharat Rozgar Yojana.

Allocation on women, children SC/ST and Northeast region

	Actuals 2024-25	Revised 2025-26	Budgeted 2026-27	% change (2025-26 RE to 2026-27 BE)
Welfare of Women	3,59,722	3,97,885	5,00,879	25.9%
Welfare of Children	99,099	1,07,945	1,32,297	22.6%
Scheduled Castes	1,23,372	1,61,205	1,96,400	21.8%
Scheduled Tribes	1,05,711	1,23,435	1,41,089	14.3%
North Eastern Region	87,736*	88,741	1,08,335	22.1%

POLICY HIGHLIGHTS

Finance and Economy

- **Banking** – A ‘High Level Committee on Banking for Viksit Bharat’ will be set up to review the sector.
- **Foreign exchange** – The Foreign Exchange Management (Non-debt Instruments) Rules will be reviewed to simplify framework for foreign investments.
- **Investment opportunity** – Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme.
- The investment limit under this scheme will be increased from 5% to 10% for individual PROI.
- **Bonds** – A market making framework (with access to funds and derivatives on corporate bond indices) and total return swaps on corporate bonds have been proposed.
- An incentive of Rs 100 crore has been announced for single bond issuance of more than Rs 1,000 crore to encourage issuance of municipal bonds.

Industry and Commerce

- **Industrial clusters** – A scheme will be introduced to revive 200 legacy industrial clusters through updated technology and infrastructure.
- Container manufacturing – Schemes will be launched for Enhancement of Construction and Infrastructure Equipments and for container manufacturing.
- **Textiles** – An integrated programme for the textile sector will be introduced with five sub-parts:
 - National Fibre Scheme,
 - Textile Expansion and Employment Scheme,
 - National Handloom and Handicraft Scheme,
 - Tex-Eco Initiative, and
 - Samarth 2.0.
- **Khadi** – To strengthen khadi, handloom and handicrafts, Mahatma Gandhi Gram Swaraj initiative has been proposed.
- **Small and medium enterprises (SME)** – To enable the creation of ‘Champion SMEs,’ following initiatives are proposed:
 - SME Growth Fund, with outlay of Rs 10,000 crore,
 - Top up of Self-Reliant India Fund, and
 - Liquidity support.

Infrastructure

- **Capex** – Public capex will be increased from Rs 11.2 lakh crore to Rs 12.2 lakh crore.
- **Risk guarantee** – An Infrastructure Risk Guarantee Fund will be set up to strengthen the confidence of private developers.

Tourism, transport and urban development

- **New destinations** – Five tourism destinations will be developed in the Purvodaya states and 4,000 electric buses will be allocated to the region.
- **Freight corridors** – A dedicated freight corridor will connect Surat to Dankuni and 20 new national waterways will be operationalised over the next five years.

- **Urban development** – City Economic Regions (CERs) will be mapped based on specific growth drivers, with allocation of Rs 5,000 crore per CER over five years.
- **Rail corridors** – Seven high speed rail corridors will be developed between select cities.

Employment and Education

- **Labour and Employment** – A Standing Committee on ‘Education to Employment and Enterprise’ will be established to develop the service sector.
- The Committee will also assess the impact of artificial intelligence on jobs.
- **Education** – Five university townships will be created in the industrial and logistic corridors.
- Support will be provided to the Indian Institute of Creative Technologies, Mumbai to establish animation, visual effects, gaming and comics content creator labs in 15,000 secondary schools and 500 colleges.

Electronics, Minerals and Carbon storage

- **Electronics** – Outlay of the Electronics Component Manufacturing Scheme will be raised from Rs 22,919 crore to Rs 40,000 crore.
- **Rare earth corridors** – Dedicated Rare Earth Corridors will be established in Odisha, Kerala, Andhra Pradesh and Tamil Nadu.
- Rs 20,000 crore will be allocated over five years for carbon capture utilisation and storage.
- Semiconductor Mission 2.0 will be launched.

Health and Pharma

- **Health** – New Allied Health Professional institutions will be established in both public and private sectors, in disciplines such as radiology, anaesthesia, and behavioural health.
- To promote medical tourism, five regional medical hubs will be established.
- Three All India Institutes of Ayurveda will also be established.
- **Pharmaceuticals** – To enable domestic production of biologics and biosimilars, the Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology, and Innovation) scheme will be implemented for five years with an outlay of Rs 10,000 crore.
- Three National Institutes of Pharmaceutical Education and Research will be established and seven existing institutions will be upgraded.

Cooperatives and Agriculture

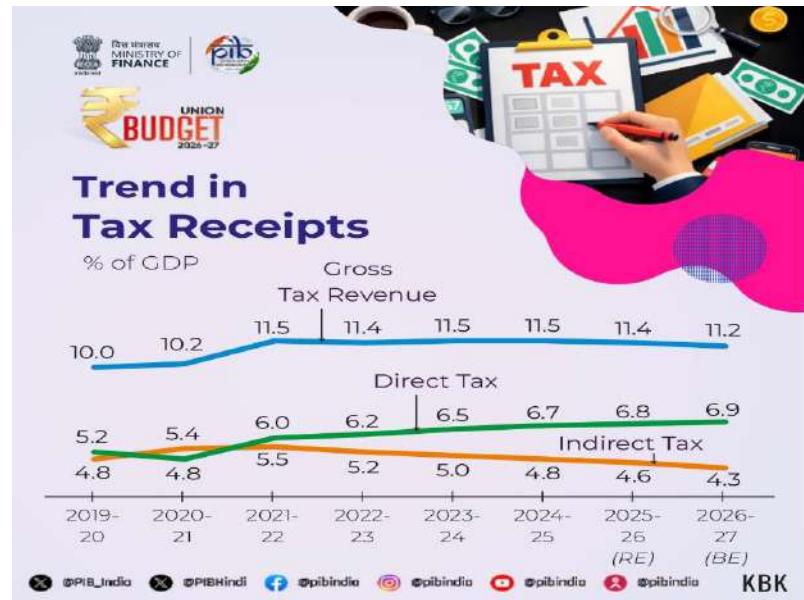
- **Cooperatives** – Deductions will be extended to cooperative members engaged in supplying cotton seeds and cattle feed.
- **Animal husbandry** – The animal husbandry sector will be supported through a credit linked subsidy programme.
- **Coconut promotion** – A coconut promotion scheme will be implemented to increase production.

TAX PROPOSALS

Main Tax Proposals in the Finance Bill

- **No change in income tax slabs** – Tax structure for assessment year 2026-27 remains unchanged from the previous year.
- **Tax holidays** – A tax holiday until 2047 has been granted to foreign companies providing global cloud services using Indian data centres, provided services to Indian customers are routed through an Indian reseller.

- Further, the tax holiday for units in International Financial Services Centre (IFSC) and Offshore Banking Units has been increased from 10 to 20 years.
- Income of IFSC units will be taxed at 15% after this period.
- Tax on share buybacks** – All share buybacks are proposed to be taxed as capital gains, with an additional buyback tax for promoters.
- This makes the effective rate 22% for corporate and 30% for non-corporate promoters.
- Increase in Securities Transaction Tax (STT)** – STT rates have been increased as follows:
 - From 0.1% to 0.15% on options,
 - From 0.125% to 0.15% on options exercised, and
 - From 0.02% to 0.05% on futures.
- Deductions against income from mutual funds** – No deduction shall be allowed for interest expenditure incurred in earning dividend income or income from mutual fund units.
- Such deduction was allowed previously up to 20% of gross dividend or income from mutual fund units.
- Minimum Alternate Tax (MAT)** – No credit accumulation shall be available for MAT from April 1, 2026.
- MAT rate is being reduced from 15% to 14%.
- MAT credits can be set off up to 25% of the tax liability only in the new tax regime.
- Foreign Assets of Small Taxpayers** – Disclosure Scheme, 2026 – A timebound scheme for disclosure of foreign assets by certain small taxpayers such as returning non-residents has been introduced.
- It provides graded relief, including immunity from penalty and prosecution, subject to payment of tax, additional levy, or a fixed fee, depending on the category of non-disclosure.
- Relaxations for non-residents** – These include:
 - A five-year income tax exemption for supplying capital goods to electronics manufacturers,
 - Exemption of global income for expert non-residents working in India for up to five years under notified schemes,
 - MAT exemption has been extended to more categories of non-residents.
- Rationalisation of penalty and prosecution** – Several offences have been decriminalised, or entail a maximum imprisonment of two years.
- Tax collected at source (TCS)** – TCS on remittance of more than Rs 10 lakh for the purposes of education or medical treatment has been reduced from 5% to 2%.
- TCS on sale of overseas tour package, including expenses for travel or hotel stay, has been reduced from 5% and 20% (depending on the amount) to 2%.



Deficits and Debt

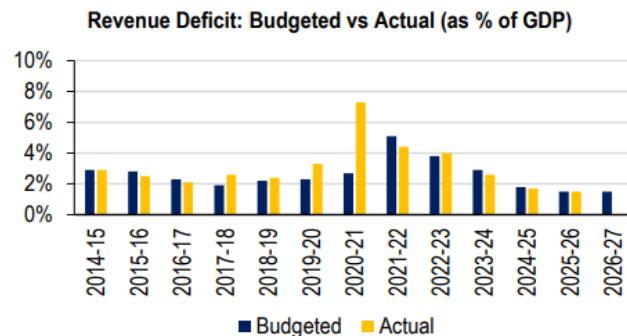
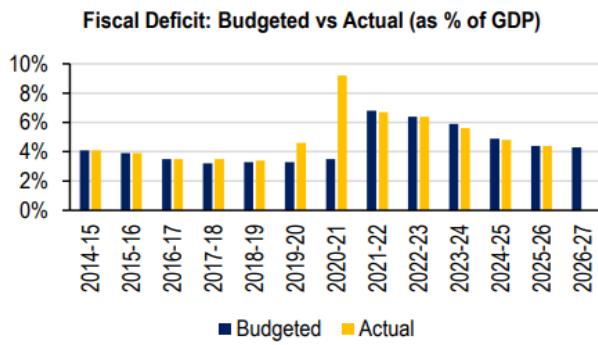
- The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the central government to progressively reduce its outstanding debt, revenue deficit and fiscal deficit, and to give three-year rolling targets for these.

- **Fiscal deficit** – It is an indicator of borrowings by the government for financing its expenditure.

Deficits				
	Actuals 2024-25	Budgeted 2025-26	Revised 2025-26	Budgeted 2026-27
Fiscal Deficit	4.8%	4.4%	4.4%	4.3%
Revenue Deficit	1.7%	1.5%	1.5%	1.5%
Primary Deficit	1.4%	0.8%	0.8%	0.7%

Sources: Budget at a Glance, Union Budget 2026-27; PRS.

- The fiscal deficit in 2026-27 is estimated to be 4.3% of GDP, lower than 2025-26 (4.4% of GDP).
- **Revenue deficit** – It is the excess of revenue expenditure over revenue receipts.
- Such a deficit implies that the government needs to borrow funds to meet recurring expenses which may not provide future returns.
- The revenue deficit in 2026-27 is estimated to be 1.5% of GDP, same as 2025-26.
- **Primary deficit** – It is estimated to be 0.7% of GDP in 2026-27.
- **Outstanding liabilities** – It is the accumulation of borrowings over the years.



- A higher debt implies that the government has a higher loan repayment obligation over the years.
- **Centre's outstanding liabilities** – It is estimated to be 55.6% of GDP.
- Outstanding liabilities rose between 2018- 19 and 2020-21, reaching a high of 61% of GDP in 2020-21, and have moderated thereafter.
- The government aims to reduce the outstanding liabilities to around $50\% \pm 1\%$ of GDP by March 2031.
- **Interest payments** – As a percentage of revenue receipts increased from 37% in 2013-14 to 42% in 2020-21.
- It is estimated to be 40% of revenue receipts in 2026-27.

