

Union Budget 2026 Highlights

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Finance Minister Nirmala Sitharaman presented Union Budget 2026 on 1 February, marking her ninth consecutive budget address. The Economic Survey 2026, presented on 29 January, projects that India's economy will grow by 7.4% in FY26 and between 6.8% - 7.2% in FY27. This growth is expected to be supported by regulatory reforms, a robust macroeconomic foundation, and a revitalized emphasis on private sector investment. India currently stands at a crossroads, and Union Budget 2026 seeks to push the nation into its next phase of transformation, with Viksit Bharat as the overarching theme.

This budget was one that prioritizes long-term fiscal credibility by introducing a new Debt-to-GDP anchor of 50% for the next decade. Its core focus remained on continued infrastructure-led growth while also creating a foundation for strong manufacturing growth, MSME resilience and urban development in the years to come. Here are the important takeaways:

Fiscal Deficit

The government has successfully achieved its fiscal consolidation commitment to reducing the fiscal deficit to 4.4% of GDP by FY25-26, as announced in the FY20-21 Budget. The government has outlined a medium-term objective to gradually reduce the debt-to-GDP ratio to 50% ($\pm 1\%$) by FY30-31, reinforcing its commitment to fiscal sustainability. The government has targeted a debt-to-GDP of 55.6% in FY26-27, compared to 56.1% of GDP in RE FY26-27.

Capex & Growth

Capital Expenditure is set at ₹12.22 lakh crore (over 3% of GDP), continuing the strategy of investment-led growth. Heavy focus on manufacturing in 7 sectors (e.g., Biopharma, Semiconductors, Rare Earths) and development of City Economic Regions (CERs) suggests creation of new growth engines for the long term. While net borrowing of 11.73 lakh crore is considered manageable, the gross borrowing of ₹17.20 lakh crore is higher than expectations. Yields are expected to remain under pressure in the near term due to this heavy supply. Market participants will now look forward to RBI for liquidity management cues.

Taxation

Minimum Alternate Tax becomes a final tax at a reduced rate of 14%, with restrictions on future credit accumulation but allowing some brought-forward credits. Buybacks for individual shareholders will be taxed as capital gains, while for promoters & non-corporate promoters will be taxed at 22% and 30% respectively. STT on equity derivatives increased for futures segment from 0.02% to 0.05% and for options segment from 0.10% to 0.15%. Tax Collected at Source (TCS) on Liberalized Remittance Scheme (LRS) for education, medical treatment and overseas tour packages has been reduced from 5% to 2%. For Sovereign Gold Bond investors, the new tax proposal maintains tax exemption for investors who purchased the bond at the time of the issuance. Investors who purchased in the secondary markets will have to pay capital gains tax if they hold the bond till maturity. If the bond is sold before maturity, interest generated on it will be taxed according to the investors' tax slab.

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