

# Union Budget 2026-27: Confidence and continuity

February 1<sup>st</sup>, 2026

# Summary

- ❖ **A balanced budget:** Maintains equilibrium between sustained growth, fiscal consolidation, and inclusive development through reforms in manufacturing, strategic sectors, infrastructure financing, urban governance, financial markets, and regulatory predictability under the "Reform Express" vision.
- ❖ **No major tax changes; simplified compliance:** Income tax slabs unchanged; effective zero tax up to ~Rs12 lakh continues via existing rebates/deductions. Emphasis on compliance simplification (extended ITR deadlines, trust-based governance) and minor TCS cuts (foreign tours/education/medical under LRS to 2% from 5%).
- ❖ **Growth engines:** Infrastructure, manufacturing, MSMEs, exports, and strategic sectors as key drivers. Public capex up ~12% to Rs12.2 lakh crore; MSME growth fund (Rs 10,000 crore), cluster revivals, GeM-TReDS integration; targeted support for semiconductors (ISM 2.0), bio-pharma, rare earths, textiles, containers, and high-value agriculture to boost self-reliance, jobs, and exports.
- ❖ **Ease of doing business and market deepening:** New Income Tax Act 2025 rollout for simplification; foreign portfolio access eased for non-residents (individual limit to 10%, overall 24%); corporate bond reforms (market-making, total return swaps, bond index derivatives); municipal bond incentive (Rs 100 crore for issuances > Rs 1,000 crore); IFSC competitiveness enhanced.
- ❖ **Impetus to infra and social capex:** Capex on roads, railways (7 high-speed corridors), urban/tier-2-3 cities (Rs5,000 crore/year over five years), green initiatives (Rs 20,000 crore carbon capture over the next five years), and people-centric steps (skilling and tourism).

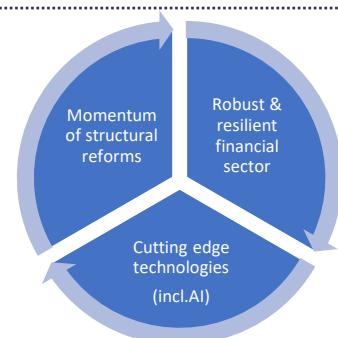
# Salient points

- ✓ **Vision:** Advances Viksit Bharat 2047 via higher productivity, competitiveness, resilience, aspiration fulfillment, and inclusive development (“*Sabka saath, sabka vikas*”). Positions infrastructure, manufacturing, MSMEs, exports, and strategic sectors (semiconductors, bio-pharma, rare earths, textiles) as core engines. Emphasises high-quality capex, “*Reform Express*”, human capital, women entrepreneurship, and social welfare saturation, all backed by prudent finances.
- ✓ **Fiscal Math:** Nominal FY27 GDP ~Rs 393 lakh crore (10% growth over FY26AE). Non-debt receipts Rs 36.5 lakh crore; net tax receipts Rs 28.7 lakh crore. Total expenditure ~Rs 53.5 lakh crore; capex up ~12% to Rs 12.2 lakh crore. Gross borrowings Rs 17.2 lakh crore; net borrowings Rs 11.7 lakh crore (~70% of deficit). Fiscal math credible and market-aligned.
- ✓ **Fiscal Strategy:** Sustained post-pandemic prudence balances capex-led growth, demand support, and inclusive welfare amid global uncertainty. Fiscal deficit targeted at 4.3% of GDP for FY27 (down from 4.4% in FY26RE), adhering to the multi-year glide path. Debt-GDP continues as the primary operational anchor (shifted to this focus last year), providing greater medium-term flexibility than deficit targeting alone. Medium-term policy stance prioritises a sustained downward trajectory to reach  $50\pm1\%$  by FY31, ensuring long-term macroeconomic stability, lower interest burden, improved credit rating potential, and enhanced investor confidence. This reinforcement allows calibrated room for priority investments without compromising sustainability.

# Three-fold “kartavyas” towards the Viksit Bharat

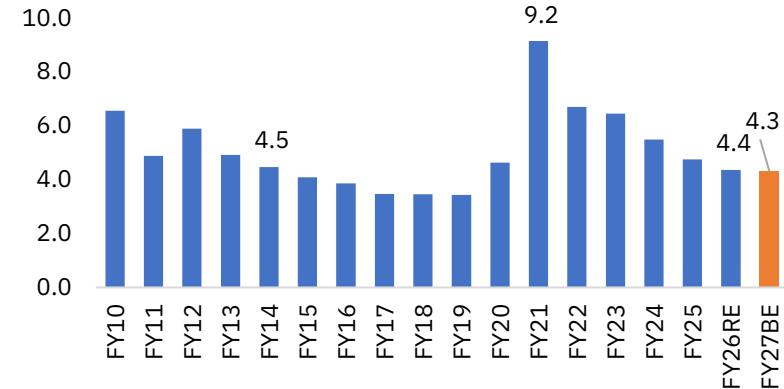


Components of a supportive ecosystem



national fiscal capital design  
dedicated global support  
sector growth manufacturing  
infrastructure reform  
kartavya  
economic ecosystem  
technology employment  
textile region

**Figure 1: Annual fiscal deficit trend (% of GDP)**



**Table 1: A quick glance at fiscal balances**

Rs lakh crore	FY26RE	%YoY	FY27BE	%YoY
Net tax revenues	26.7	7.0	28.7	7.2
Non-tax revenues	6.7	24.4	6.7	-0.2
Non-debt cap receipts	0.6	53.1	1.2	84.9
<b>Total receipts</b>	<b>34.1</b>	<b>10.7</b>	<b>36.5</b>	<b>7.2</b>
Revenue Expenditure	38.7	7.4	41.3	6.6
Capital Expenditure	11.0	4.2	12.2	11.5
<b>Total expenditure</b>	<b>49.6</b>	<b>6.7</b>	<b>53.5</b>	<b>7.7</b>
<b>Fiscal deficit</b>	<b>15.6</b>	<b>-1.0</b>	<b>17.0</b>	<b>8.8</b>
<b>% GDP</b>	<b>4.4</b>		<b>4.3</b>	

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate

# Fiscal deficit snapshot

Table 2: Fiscal math

Items (Rs lakh crore)	FY25	FY25 (% YoY)	FY26RE	FY26RE (% YoY)	% change from FY26BE	FY27BE	FY27BE (% YoY)
<b>Central govt. net tax revenue</b>	<b>25.0</b>	<b>7.4</b>	<b>26.7</b>	<b>7.0</b>	<b>-5.7</b>	<b>28.7</b>	<b>7.2</b>
<b>Gross tax revenues</b>	<b>38.0</b>	<b>9.5</b>	<b>40.8</b>	<b>7.4</b>	<b>-4.5</b>	<b>44.0</b>	<b>8.0</b>
Of which:							
<b>Direct Tax</b>	<b>22.2</b>	<b>13.6</b>	<b>24.2</b>	<b>9.0</b>	<b>-3.9</b>	<b>27.0</b>	<b>11.4</b>
Corporation tax	9.9	8.3	11.1	12.4	2.5	12.3	11.0
Income tax	12.4	18.2	13.1	6.2	-8.8	14.7	11.7
<b>Indirect Tax</b>	<b>15.7</b>	<b>4.3</b>	<b>16.6</b>	<b>5.2</b>	<b>-5.3</b>	<b>17.1</b>	<b>3.0</b>
Goods and service tax	10.3	7.3	10.5	1.9	-11.2	10.2	-2.6
Custom Duties	2.3	0.0	2.6	10.8	7.6	2.7	5.0
Excise Duties	3.0	-1.7	3.4	12.1	6.2	3.9	15.6
States Share	-12.9	13.9	-13.9	8.2	-2.1	-15.3	9.6
Transferred to NCCD	-0.1	7.8	-0.1	7.2	-2.3	-0.1	7.6
<b>Non-Tax Revenue</b>	<b>5.4</b>	<b>33.5</b>	<b>6.7</b>	<b>24.4</b>	<b>14.5</b>	<b>6.7</b>	<b>-0.2</b>
Dividends and profits	3.1	80.5	3.8	21.8	15.6	3.9	4.1
<b>Central govt. revenue receipts</b>	<b>30.4</b>	<b>11.3</b>	<b>33.4</b>	<b>10.1</b>	<b>-2.3</b>	<b>35.3</b>	<b>5.7</b>
Non-Debt Capital Receipts	0.4	-30.0	0.6	53.1	-15.8	1.2	84.9
Divestment proceeds	0.2	-48.1	0.3	96.7	-28.0	0.8	136.4
<b>Total Receipts</b>	<b>30.8</b>	<b>10.4</b>	<b>34.1</b>	<b>10.7</b>	<b>-2.6</b>	<b>36.5</b>	<b>7.2</b>
Revenue Expenditure	36.0	3.1	38.7	7.4	-1.9	41.3	6.6
Interest Payments	11.2	4.9	12.7	14.2	-0.2	14.0	10.2
Subsidy outgo	4.2	-2.8	4.7	11.1	10.2	4.5	-3.1
Capital Expenditure	10.5	10.8	11.0	4.2	-2.3	12.2	11.5
<b>Total Expenditure</b>	<b>46.5</b>	<b>4.7</b>	<b>49.6</b>	<b>6.7</b>	<b>-2.0</b>	<b>53.5</b>	<b>7.7</b>
<b>Fiscal Deficit</b>	<b>15.7</b>	<b>-4.8</b>	<b>15.6</b>	<b>-1.0</b>	<b>-0.7</b>	<b>17.0</b>	<b>8.8</b>
<b>Fiscal Deficit/GDP</b>	<b>4.8</b>		<b>4.4</b>			<b>4.3</b>	

# Fiscal deficit snapshot (% of GDP)

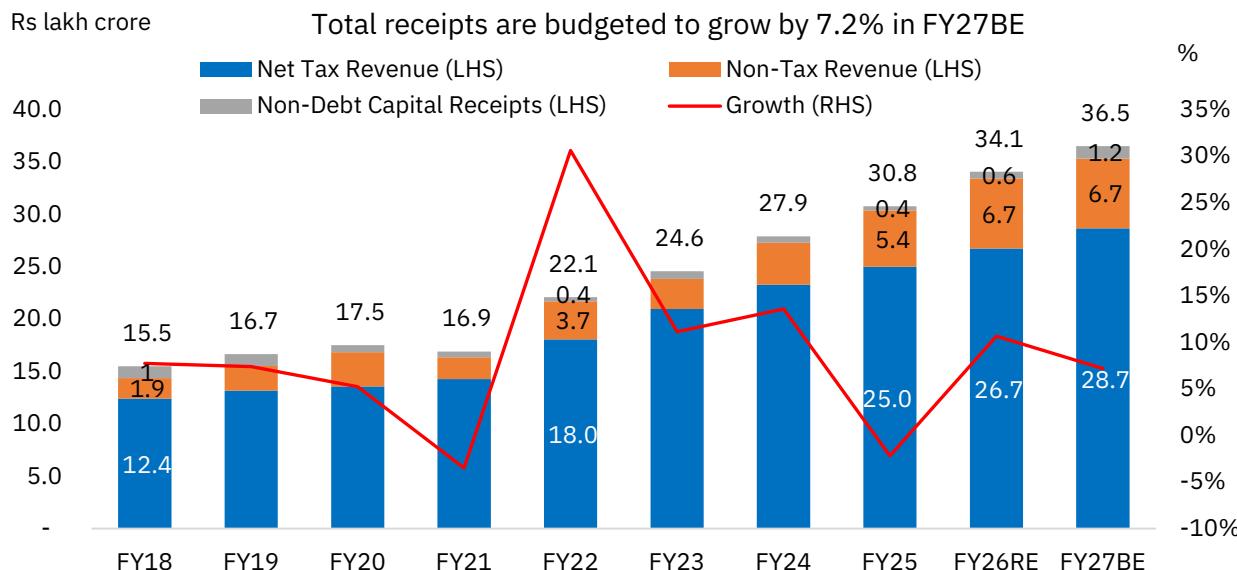
Table 3: Fiscal math (% of GDP)

Items (% of GDP)	FY24	FY25	FY26BE	FY26RE	FY27BE
<b>Central govt. net tax revenue</b>	<b>7.7</b>	<b>7.6</b>	<b>7.9</b>	<b>7.5</b>	<b>7.3</b>
<b>Gross tax revenues</b>	<b>11.5</b>	<b>11.5</b>	<b>12.0</b>	<b>11.4</b>	<b>11.2</b>
Of which:					
<b>Direct Tax</b>	<b>6.5</b>	<b>6.7</b>	<b>7.1</b>	<b>6.8</b>	<b>6.9</b>
Corporation tax	3.0	3.0	3.0	3.1	3.1
Income tax	3.5	3.7	4.0	3.7	3.7
<b>Indirect Tax</b>	<b>5.0</b>	<b>4.8</b>	<b>4.9</b>	<b>4.6</b>	<b>4.3</b>
Goods and service tax	3.2	3.1	3.3	2.9	2.6
Custom Duties	0.8	0.7	0.7	0.7	0.7
Excise Duties	1.0	0.9	0.9	0.9	1.0
States Share	-3.7	-3.9	-4.0	-3.9	-3.9
Transferred to NCCD	0.0	0.0	0.0	0.0	0.0
<b>Non-Tax Revenue</b>	<b>1.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.9</b>	<b>1.7</b>
Dividends and profits	0.6	0.9	0.9	1.1	1.0
<b>Central govt. revenue receipts</b>	<b>9.1</b>	<b>9.2</b>	<b>9.6</b>	<b>9.4</b>	<b>9.0</b>
Non-Debt Capital Receipts	0.2	0.1	0.2	0.2	0.3
Divestment proceeds	0.1	0.1	0.1	0.1	0.2
<b>Total Receipts</b>	<b>9.3</b>	<b>9.3</b>	<b>9.8</b>	<b>9.5</b>	<b>9.3</b>
Revenue Expenditure	11.6	10.9	11.0	10.8	10.5
Interest Payments	3.5	3.4	3.6	3.6	3.6
Subsidy outgo	1.4	1.3	1.2	1.3	1.2
Capital Expenditure	3.2	3.2	3.1	3.1	3.1
<b>Total Expenditure</b>	<b>14.8</b>	<b>14.1</b>	<b>14.2</b>	<b>13.9</b>	<b>13.6</b>
<b>Fiscal Deficit</b>	<b>5.5</b>	<b>4.8</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>

# Revenue receipts budgeted to grow at 7%

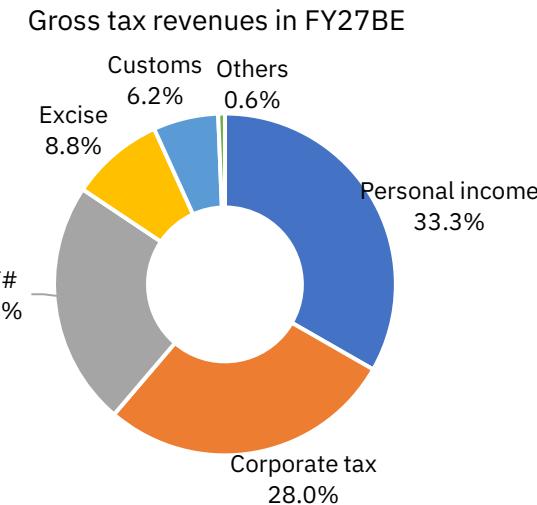
- ❖ Total receipts are budgeted to grow at 7.2% to Rs 36.5 lakh crore in FY27, translating into a five-year CAGR of 10.6%.
- ❖ Net tax revenues account for 78.5% (Rs 28.7 lakh crore) of the total receipts, growing at 7.2% (last five-year CAGR: 9.7%).
- ❖ Personal income taxes is estimated to contribute 33.3% to gross tax revenues, followed by corporate tax receipts at 28% and GST collections at 23.1%.

**Figure 3: Annual trend of total receipts**



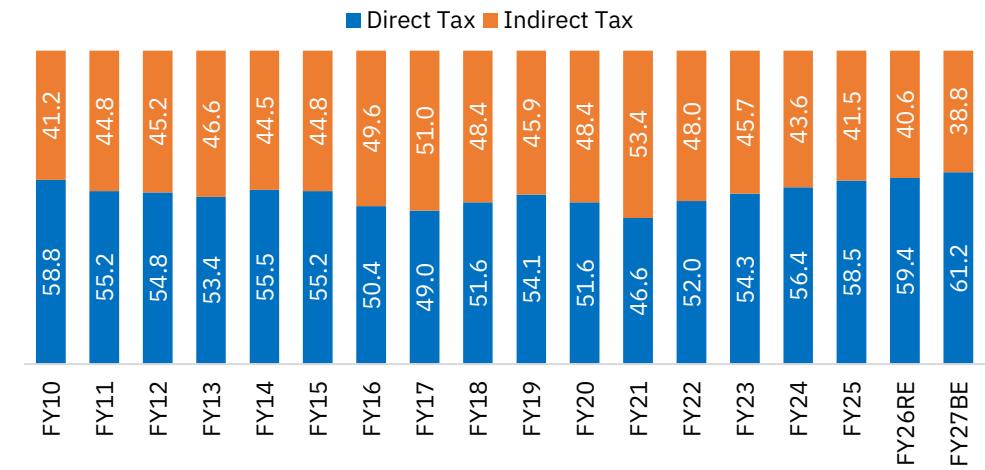
Source: Budget Documents, NSE EPR.  
RE – Revised Estimate, BE – Budget Estimate

**Figure 2: Components of gross tax revenue receipts in FY27BE**



Note: Here, GST includes GST Compensation Cess. Others include taxes of Union Territories and service tax.

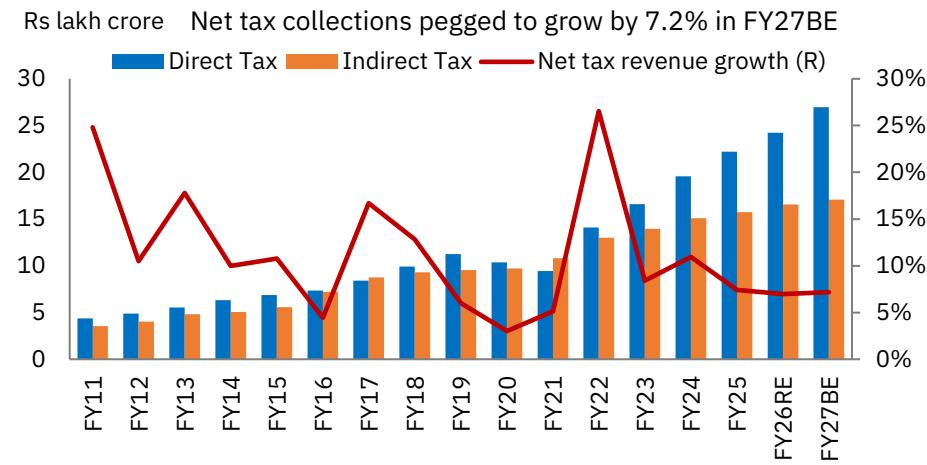
**Figure 4: Break-up of gross tax revenues into direct and indirect tax**



# Tax collections growth remains steady despite lower GST receipts

- ❖ Gross tax collections are budgeted to grow by 8% to Rs 44 lakh crore in FY27, marginally higher than 7.4% growth in FY26RE, led by robust direct tax receipts (+11.4%), partly offset by a decline in GST collections (-2.6%).
- ❖ Mix of tax receipts has further improved, with the share of direct tax collections at 61% of gross tax receipts being the highest ever, reflecting rising incomes and improving compliance.
- ❖ Direct tax to GDP ratio is pegged at 6.9% in FY27BE—the highest ever, with a tax buoyancy of 1.1 for direct tax vs. 0.3 for indirect tax.

**Figure 5: Annual net tax collections trend**



**Table 4: Tax revenue assumptions seem realistic and achievable**

	FY25		FY26RE			FY27BE	
	Rs lakh crore	% YoY	Rs lakh crore	% YoY	% chg. from BE	Rs lakh crore	% YoY (over FY26RE)
<b>Direct Tax</b>	<b>22.2</b>	<b>13.6%</b>	<b>24.2</b>	<b>9.0%</b>	<b>-3.9%</b>	<b>27.0</b>	<b>11.4%</b>
Corporation tax	9.9	8.3%	11.1	12.4%	2.5%	12.3	11.0%
Income tax	12.4	18.2%	13.1	6.2%	-8.8%	14.7	11.7%
<b>Indirect Tax</b>	<b>15.7</b>	<b>4.3%</b>	<b>16.6</b>	<b>5.2%</b>	<b>-5.3%</b>	<b>17.1</b>	<b>3.0%</b>
GST	10.3	7.3%	10.5	1.9%	-11.2%	10.2	-2.6%
Customs	2.3	0.0%	2.6	10.8%	7.6%	2.7	5.0%
Union excise duty	3.0	-1.7%	3.4	12.1%	6.2%	3.9	15.6%
<b>Gross tax collections</b>	<b>38.0</b>	<b>9.5%</b>	<b>40.8</b>	<b>7.4%</b>	<b>-4.5%</b>	<b>44.0</b>	<b>8.0%</b>
<b>Net tax collections</b>	<b>25.0</b>	<b>7.4%</b>	<b>26.7</b>	<b>7.0%</b>	<b>-5.7%</b>	<b>28.7</b>	<b>7.2%</b>

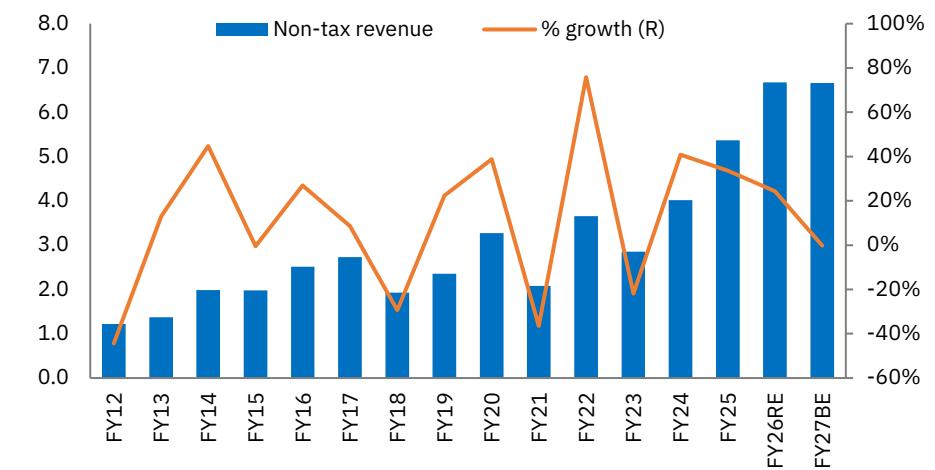
Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate. Growth in FY27BE is based on revised estimates for FY26

# Non-tax revenues to find support from higher dividends

- ❖ Non-tax revenues are budgeted to remain fairly steady at Rs 6.7 lakh crore in FY27BE, but off a strong 33% average growth over the previous three years.
- ❖ Dividends and profits from RBI/PSUs are budgeted to grow at a modest 4.1% in FY27BE to Rs 3.9 lakh crore, translating into a robust 41% annualised growth over the last four years.
- ❖ Receipts from communication services, on the other hand, are budgeted to drop by 16.9% to Rs 1.17 lakh crore, after registering a strong 66.1% growth in FY26RE.

**Figure 6: Annual non-tax collections trend**

Rs lakh crore Non tax collections remain steady in FY27



**Table 5: Higher interest receipts and dividends & profits offset by lower other non-tax revenues**

Rs crore	FY25	FY25 (% YoY)	FY26RE	FY26RE (% YoY)	% change from BE	FY27BE	FY27BE (% YoY)
<b>Non-tax revenue</b>	<b>5,36,578</b>	<b>33.5%</b>	<b>6,67,662</b>	<b>24.4%</b>	<b>14.5%</b>	<b>6,66,228</b>	<b>-0.2%</b>
Interest receipt	40,435	5.7%	40,165	-0.7%	-15.9%	41,763	4.0%
Dividends and profits	3,08,423	80.5%	3,75,590	21.8%	15.6%	3,91,000	4.1%
Other non-tax revenue	1,87,721	-2.6%	2,51,907	34.2%	19.8%	2,33,465	-7.3%

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate,. Growth in FY27BE is based on the revised estimate for FY26

# Disinvestments budgeted at Rs 80,000 crore in FY27

- ❖ In FY26, the revised disinvestment estimate of Rs 33,837 crore implies a shortfall of around 28% from the budgeted target.
- ❖ Disinvestment receipts during the first ten months of the current fiscal year (April 2025–January 2026) remained muted at Rs 8,768 crore, amounting to just 26% of the revised FY26 target, with activity largely confined to minority stake sales through offers for sale and other similar transactions.
- ❖ Against this subdued outturn, the central government has set a disinvestment target of Rs 80,000 crore for FY27 – the highest in the past five years. This also reflects the inclusion of potential proceeds from the proposed stake sale in IDBI Bank.

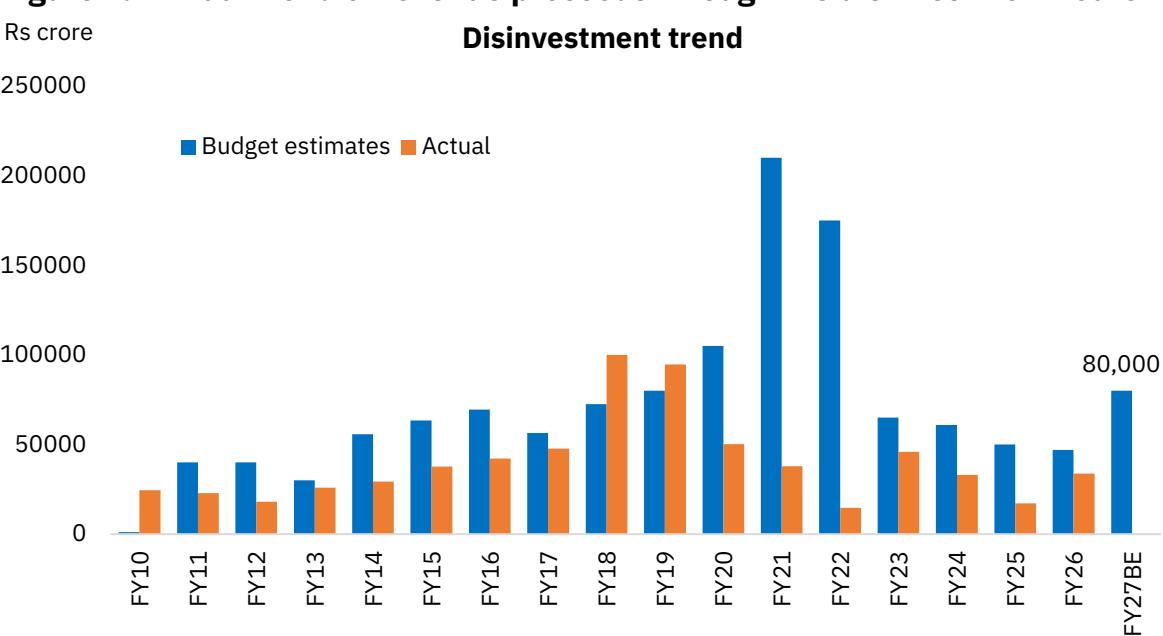
**Table 6: Key disinvestments in FY26 (Apr'25-Jan'26)**

Name	% of Govt. stake sold	Method	Receipts (Rs cr)	Govt. stake post disinvestment
Mazagon Dock Shipbuilders Ltd.	3.6	Offer for sale	3673.4	81.2
Others (Remittance from SUUTI)	0.0	OTHERS	1051.0	0.0
Bank of Maharashtra	6.0	Offer for sale	2624.2	73.6
Indian Overseas Bank	2.2	Offer for sale	1419.4	92.4
<b>Total</b>			<b>8768.0</b>	

Source: DIPAM



**Figure 7: Annual trend of revenue proceeds through the disinvestment route**



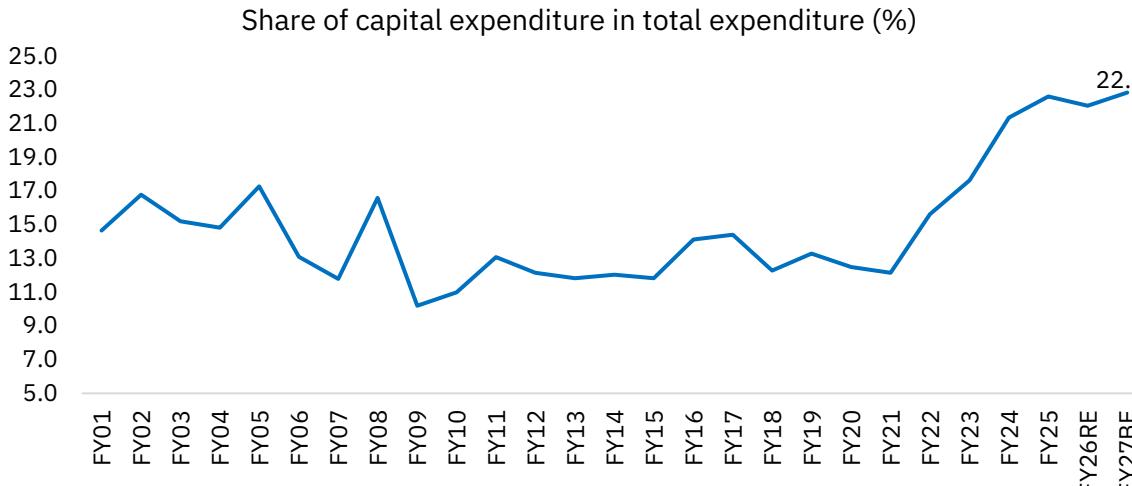
Source: Budget Documents.

Note: FY26 figure pertains to the revised estimate from the Budget Document

# Continued thrust on capex

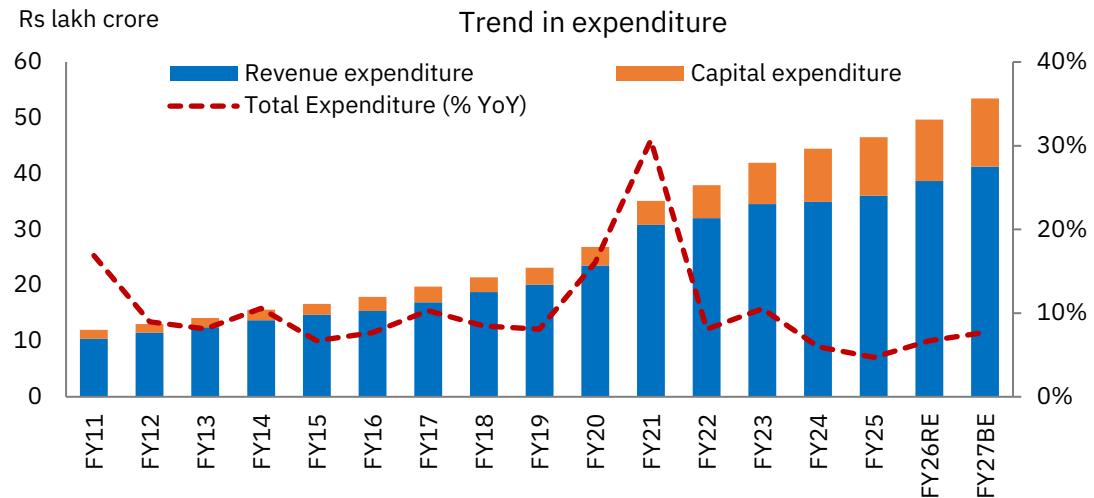
- ❖ Capex continues to remains a key focus, with a 11.5% YoY increase in outlay to Rs 12.2 lakh crore, with an annualised growth of 18.8% in the pre-pandemic period (FY19-27BE).
- ❖ Capex/GDP at 3.1% in FY27BE is in line with FY26RE but remains much higher than the pre-pandemic levels.
- ❖ Expenditure mix has been improving, with the share of capex in total expenditure at 22.8% being the highest in the last 32 years.
- ❖ Primary focus areas include Roads, Railways, Defence, Telecom and Housing & Urban Affairs, comprising 72% of the total capex.

**Figure 9: Share of capex in overall expenditure has improved meaningfully...**

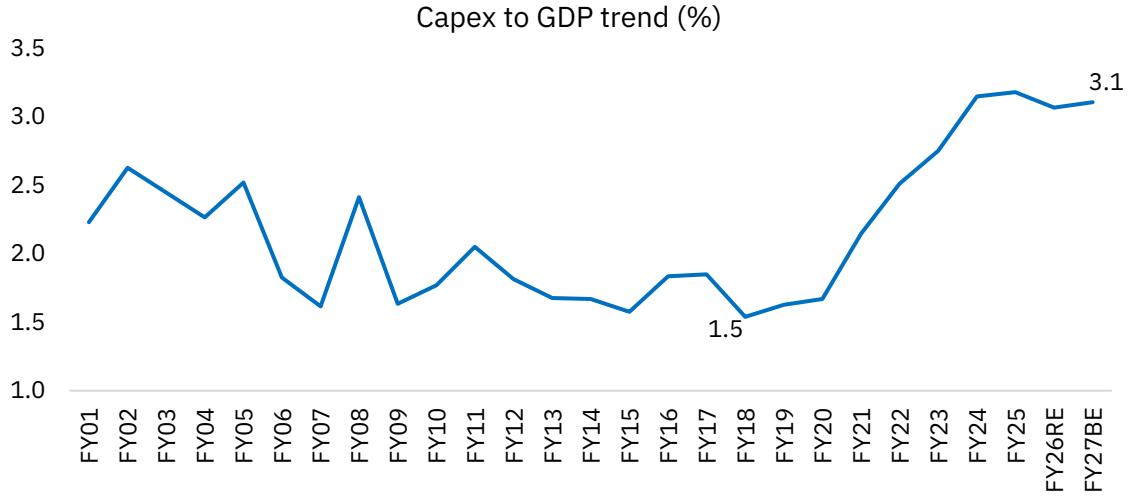


Source: Budget Documents, NSE EPR.  
RE – Revised Estimate, BE – Budget Estimate

**Figure 8: Annual revenue and capital expenditure trend**



**Figure 10: ...And so as a % of GDP**



# Ministry-wise outlay

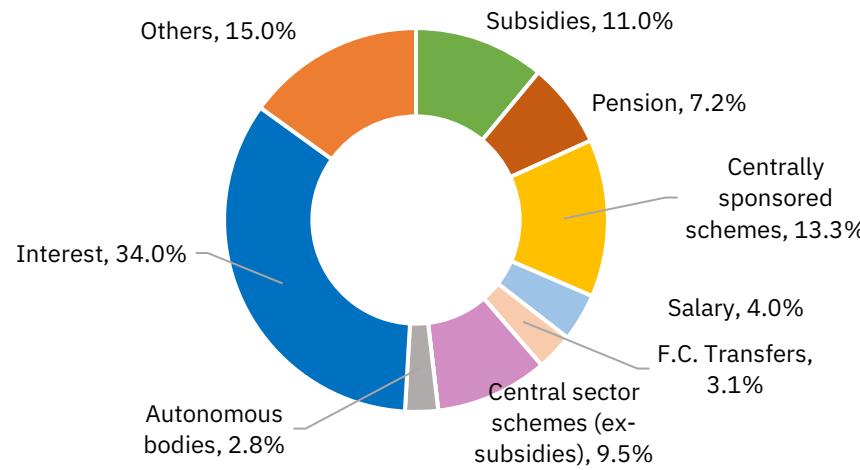
**Table 7: Ministry-wise total outlay (includes Internal and Extra Budgetary Resources, IEBR)**

(Rs crore)	FY26RE			FY27BE				
Departments	Revenue	Capital	IEBR	Revenue	Capital	IEBR	Total outlay	%YoY
Food and Public Distribution	2,35,025	23	15,700	2,35,025	23	21,350	2,56,397	2%
Road Transport & Highways	15,090	2,72,051	0	15,708	2,94,167	0	3,09,875	8%
Railways	3,466	2,52,000	13,000	3,547	2,77,830	15,000	2,96,377	10%
Defence	5,35,094	1,97,417	3,780	5,53,669	2,31,010	4,279	7,88,957	7%
Rural Development	1,86,991	4	0	1,94,364	5	0	1,94,369	4%
Telecommunications	29,482	23,916	793	26,716	47,275	891	74,882	38%
Power	21,004	584	85,829	29,636	361	1,01,763	1,31,760	23%
New and Renewable Energy	25,299	2	36,059	32,911	4	42,890	75,804	24%
Housing & Urban Affairs	24,226	32,978	67,386	50,714	34,808	72,563	1,58,086	27%
Labour and Employment	12,659	29	0	32,625	41	0	32,666	157%
Health and Family Welfare	90,488	2,438	59	98,781	2,928	70	1,01,779	9%
MSMEs	11,180	916	230	22,647	1,919	270	24,836	101%
Drinking Water & Sanitation	23,030	1	0	74,894	1	0	74,895	225%
Others	26,56,050	3,13,397	2,11,066	27,54,257	3,31,450	2,24,709	33,10,415	4%
<b>Total</b>	<b>38,69,087</b>	<b>10,95,755</b>	<b>4,33,901</b>	<b>41,25,494</b>	<b>12,21,821</b>	<b>4,83,785</b>	<b>58,31,099</b>	<b>8%</b>

# Revenue expenditure discipline to keep fiscal deficit on track

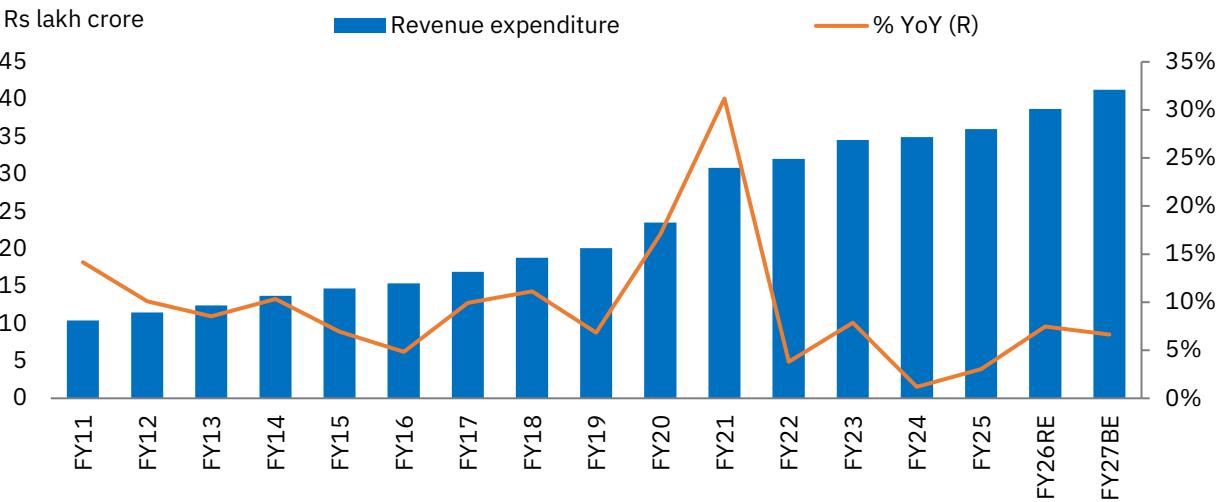
- ❖ Focus on fiscal prudence has been maintained by keeping revenue expenditure under check. For FY27, revenue expenditure is budgeted to increase by 6.6% to Rs 41.3 lakh crore.
- ❖ Meanwhile, for FY26, revenue expenditure has been marginally revised downwards by 2% to Rs 38.7 lakh crore from the budgeted estimate of Rs 39.4 lakh crore.
- ❖ Subsidy expenditure--accounting for 11% share--was also brought down marginally to Rs 4.5 lakh crore in FY27BE (vs. Rs 4.7 lakh crore in FY26RE) largely led by oil and fertilizer subsidies.

**Figure 12: Mix of government revenue expenditure across major items (%)**

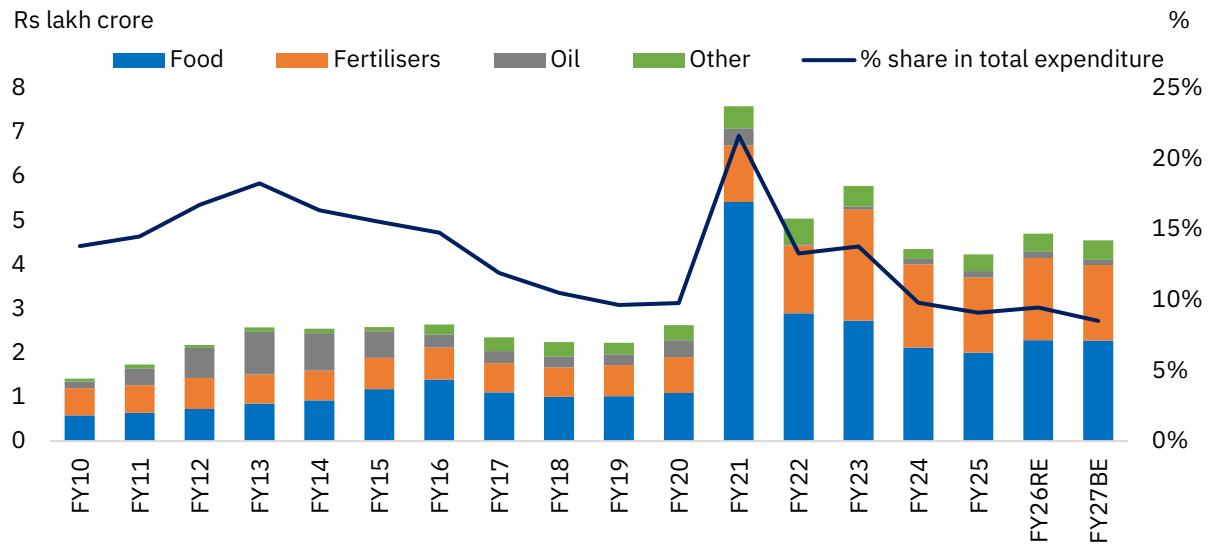


Source: Budget Documents, NSE EPR.  
RE – Revised Estimate, BE – Budget Estimate

**Figure 11: Annual revenue expenditure trend**

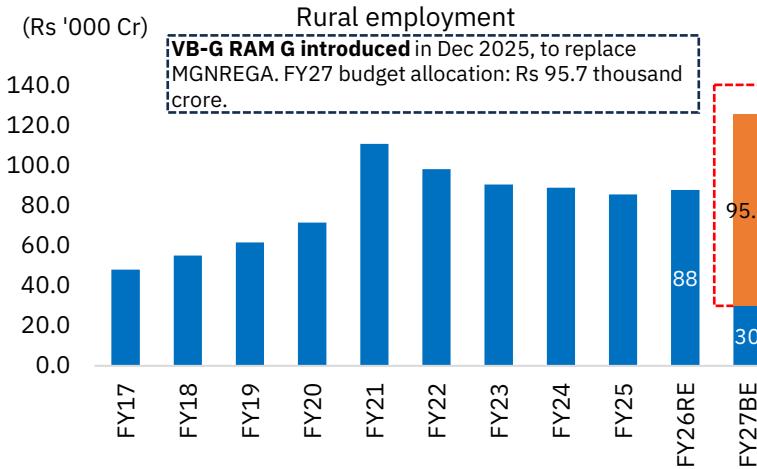


**Figure 13: Subsidy spend~ 8.5% of total expenditure, 1pp lesser than FY26RE**

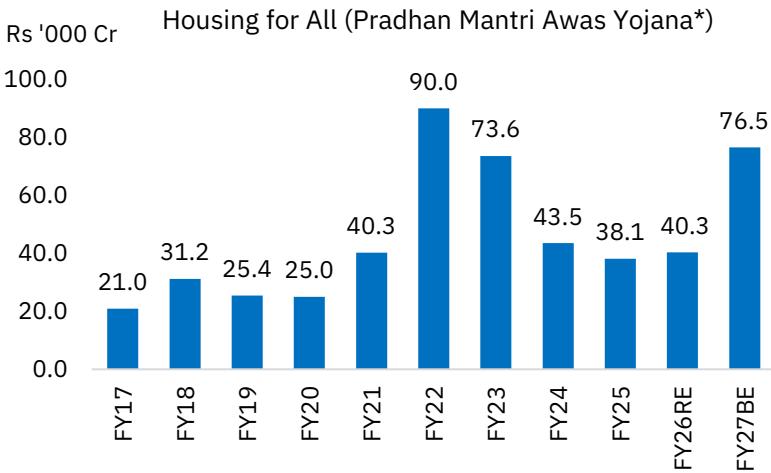


# Spending in social programs sees a rise

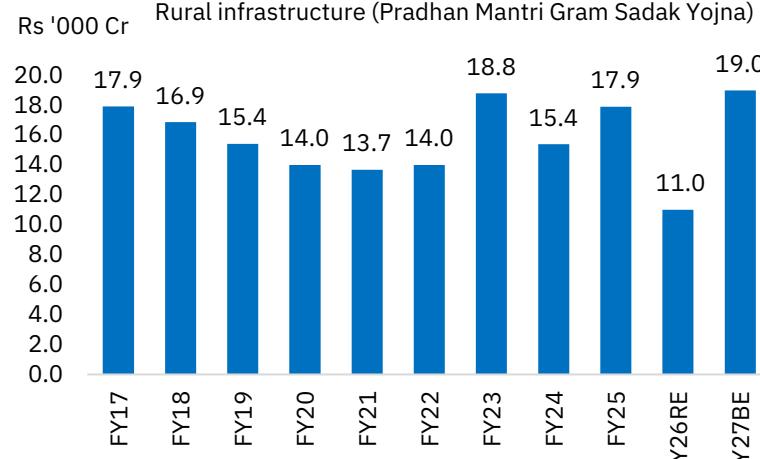
**Figure 14: Rural employment (MGNREGA)**



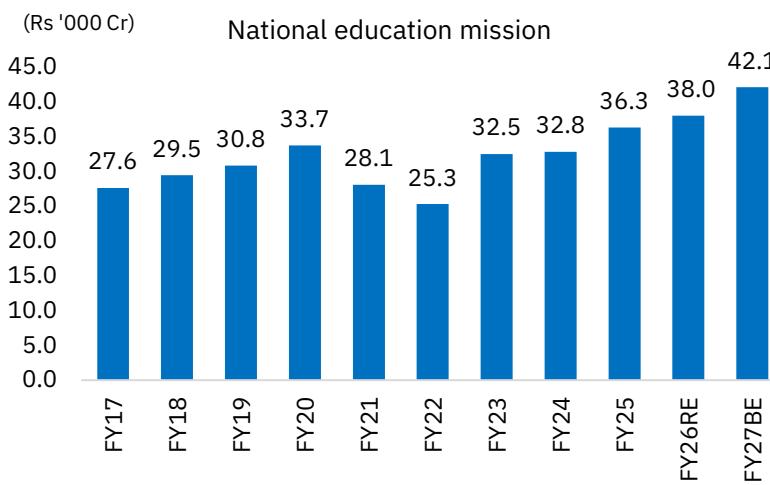
**Figure 15: Housing for All (PMAY\*)**



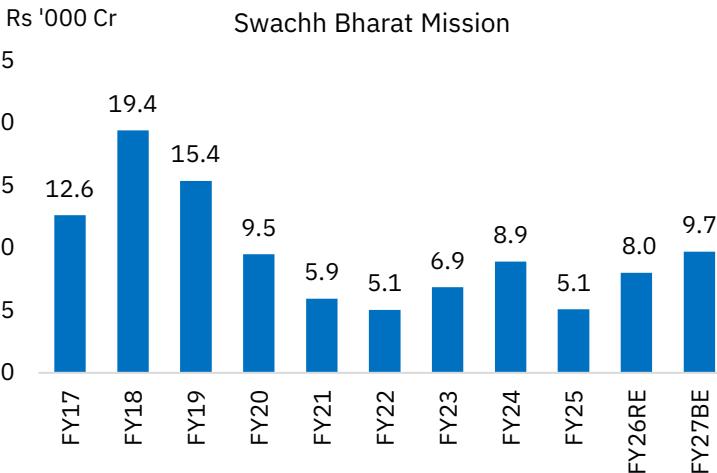
**Figure 16: Rural Infrastructure (PMGSY)**



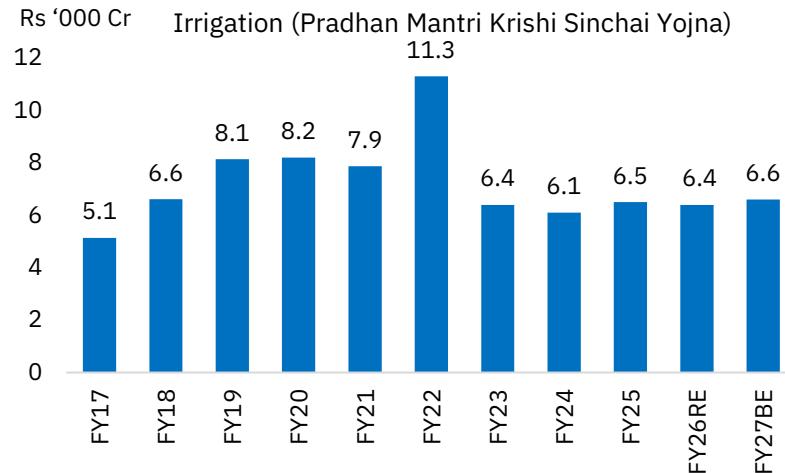
**Figure 17: Education (NEM<sup>+</sup>)**



**Figure 18: Swachh Bharat Mission**



**Figure 19: Irrigation (PMKSY)**



# Lower dependence on off-balance sheet financing

- ❖ Total capital outlay is budgeted at Rs 22 lakh crore, up 19.6% YoY, reinforcing a commitment to growth-supportive public investment, of which budgetary capex remains the key driver.
- ❖ While internal and extra budgetary resources (IEBR) is projected to increase by 11.5% YoY to Rs 4.8 lakh crore, its share in total capital outlay remains contained at ~28%, well below pre-pandemic levels
- ❖ The capital outlay mix continues to favour on-budget financing, limiting reliance on extra-budgetary borrowings and strengthening fiscal transparency.

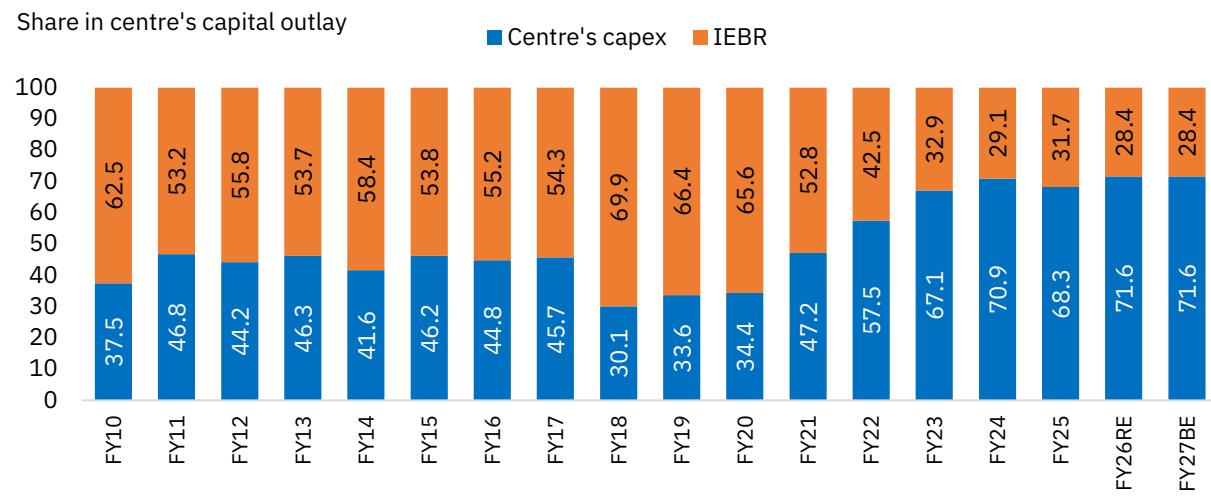
**Table 8: Centre's total capital outlay**

Rs crore	FY23	FY24	FY25	FY26RE	FY27BE
<b>1. Budgetary capex</b>	<b>7,40,025</b>	<b>9,49,195</b>	<b>10,51,953</b>	<b>10,95,755</b>	<b>12,21,821</b>
% YoY	24.8%	28.3%	10.8%	4.2%	11.5%
2. Grant in aid for creation of capital assets	3,06,264	3,03,916	2,72,656	3,08,151	4,92,702
% YoY	26.2%	-0.8%	-10.3%	13.0%	59.9%
<b>3. Effective capex (1 + 2)</b>	<b>10,46,289</b>	<b>12,53,111</b>	<b>13,24,609</b>	<b>14,03,906</b>	<b>17,14,523</b>
% YoY	25.2%	19.8%	5.7%	6.0%	22.1%
4. IEBR	3,63,120	3,89,966	4,88,590	4,33,901	4,83,785
% YoY	-17.0%	7.4%	25.3%	-11.2%	11.5%
<b>5. Total capex (3 + 4)</b>	<b>14,09,409</b>	<b>16,43,077</b>	<b>18,13,199</b>	<b>18,37,807</b>	<b>21,98,308</b>
% YoY	10.7%	16.6%	10.4%	1.4%	19.6%



Source: Budget Documents, NSE EPR. Growth in FY27BE figures are over revised estimates for FY26.  
IEBR – internal and Extra Budgetary Resources. RE – Revised Estimate, BE – Budget Estimate

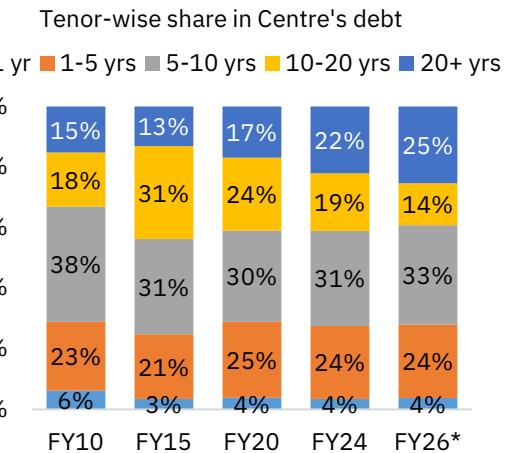
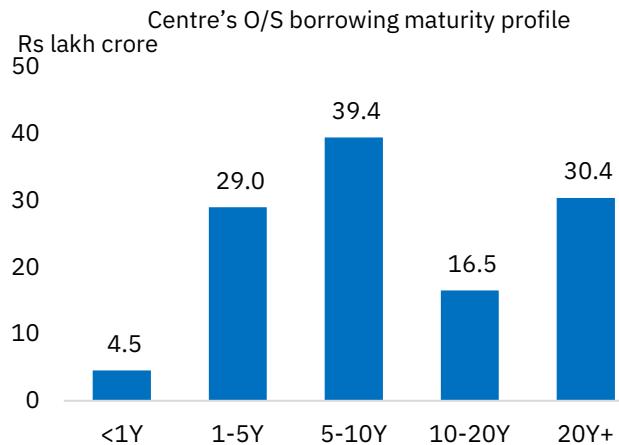
**Figure 20: Trend of capital outlay breakup**



# Market borrowings to rise; likely to weigh on bond markets...

- ❖ Centre's gross market fresh borrowings are pegged at Rs 17.2 lakh crore; a notable jump of 17.7% YoY, which could weigh on bond markets
- ❖ Despite repayment pressures in FY26 and FY27, net market borrowings are expected to grow by 12.8% YoY to Rs 11.7 lakh crore
- ❖ The reliance on market borrowings to finance the GFD has increased in recent years with the share rising to 69% in FY27(BE) vs. avg. of 63.2% in the last five years
- ❖ There has been a shift to longer-tenure debt, with share of o/s debt in 20+ yr maturity having nearly doubled to 25% in the last ten years

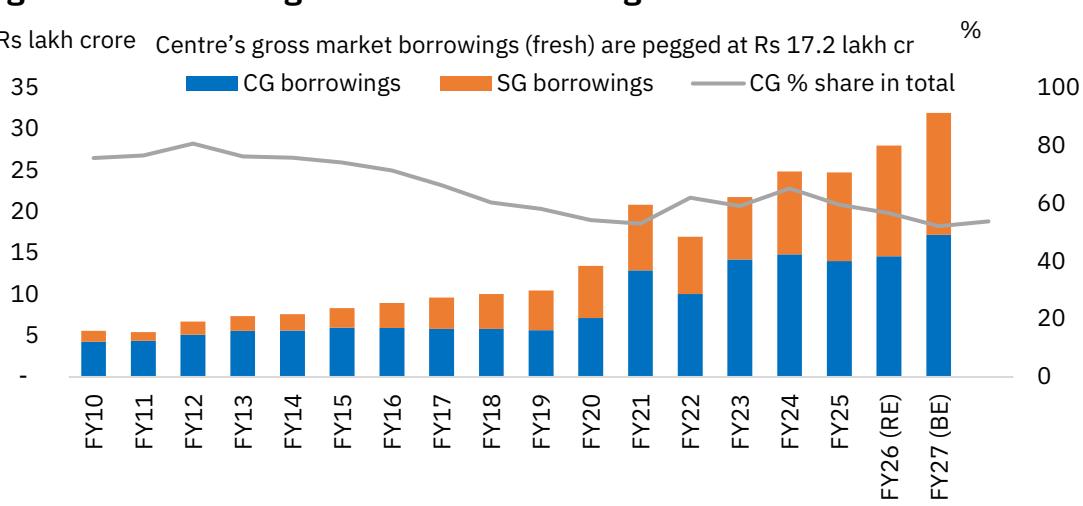
**Figure 21: Nearly 2/5<sup>th</sup> of Centre's debt has maturity beyond 10 years**



**Table 9: Sources of funding the gross fiscal deficit (GFD)**

Rs lakh crore	FY24	FY25	FY26RE	% of total	FY27BE	%YoY	% of total
Gross mkt borrowings (incl. switching)	16.4	15.5	16.2		19.7	21.6	
<b>Gross market borrowings (fresh)</b>	<b>15.4</b>	<b>14.0</b>	<b>14.6</b>		<b>17.2</b>	<b>17.7</b>	
<b>Net market borrowings</b>	<b>11.8</b>	<b>10.7</b>	<b>10.4</b>	<b>66.8</b>	<b>11.7</b>	<b>12.8</b>	<b>69.2</b>
Short-term borrowings	0.5	-1.6	-	-	1.3	NA	7.7
External assistance (net)	0.6	0.5	0.2	1.3	0.2	-24.8	0.9
Small savings (net)	4.5	4.3	3.7	23.9	3.9	3.9	22.8
State provident funds (net)	0.1	0.0	0.0	0.2	0.0	-7.9	0.2
Draw down of cash balance	0.0	0.0	0.5	2.9	0.3	-28.5	1.9
Other capital receipts	-0.9	1.8	0.8	4.9	-0.5	-160.4	-2.7
<b>Total</b>	<b>16.5</b>	<b>15.7</b>	<b>15.6</b>	<b>100.0</b>	<b>17.0</b>	<b>8.8</b>	<b>100.0</b>

**Figure 22: Trends in gross market borrowings of Centre and States**



Source: Budget Documents, RBI, CMIE, NSE EPR. Notes: 1) \*As of January 27<sup>th</sup>, 2026. 2) BE – Budget Estimate, RE – Revised Estimate 3) State borrowings for FY26 has been sourced from the RBI quarterly calendar and for FY27, a 10% growth has been assumed 4) CG borrowings till FY25 are from RBI based on actual market borrowings while for FY26RE and FY27BE, the data is sourced from budget documents.

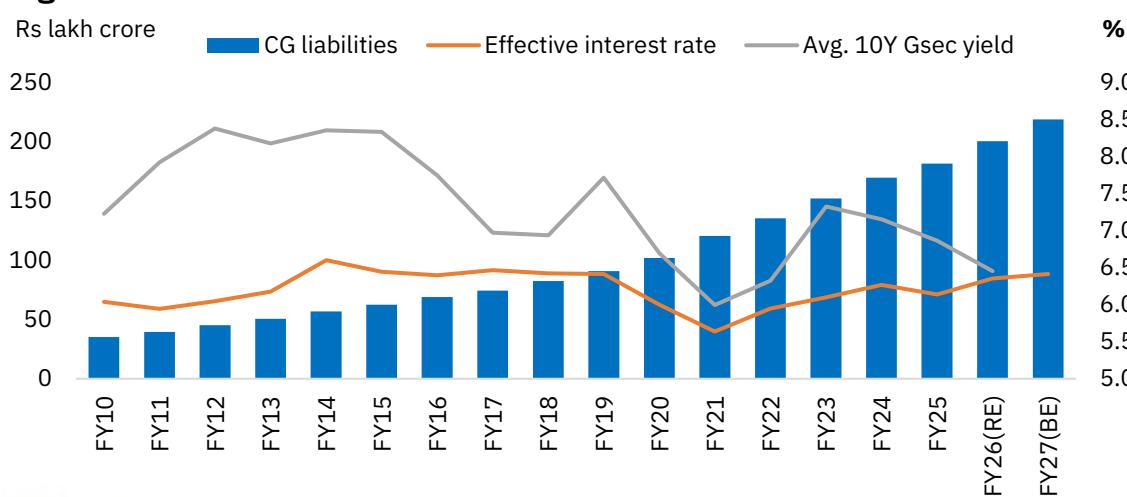
# ...While debt fiscal strategy remains on track

- ❖ Centre's debt-GDP ratio is projected at 55.6% of GDP, in line with the fiscal strategy of 50% +/-1% by FY31.
- ❖ General govt. liabilities, although having moderated from over 90% in FY21; remains elevated at ~85% of GDP in FY26.
- ❖ Elevated debt levels have kept interest payments high with eff. interest rate at 6.4%, necessitating continued fiscal prudence.

**Table 10: Moderate case scenario: Central Government Debt as % of GDP**

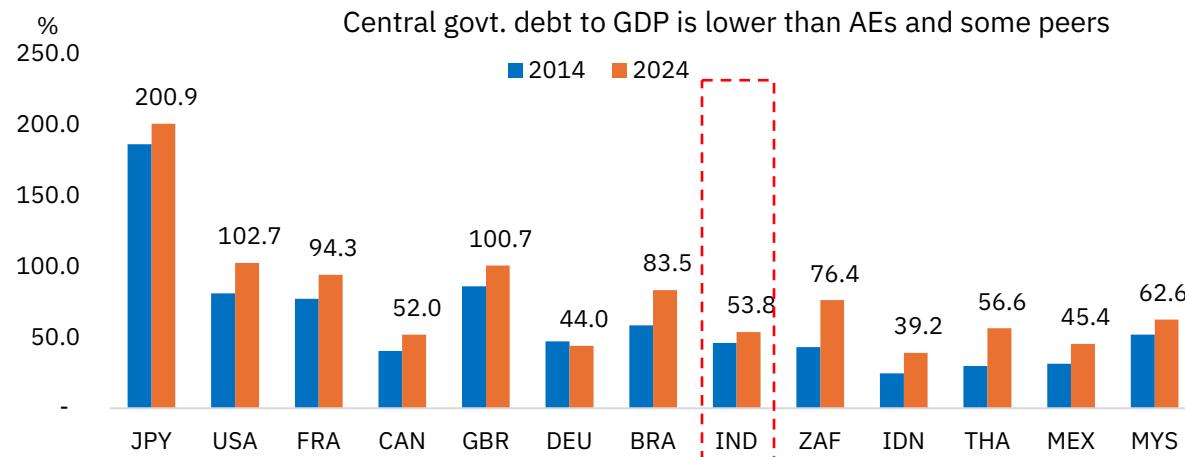
Year	Nominal GDP growth		
	10%	10.5%	11%
2030-31	50.6%	49.7%	48.8%

**Figure 24: Centre's OS liabilities and effective interest rates**

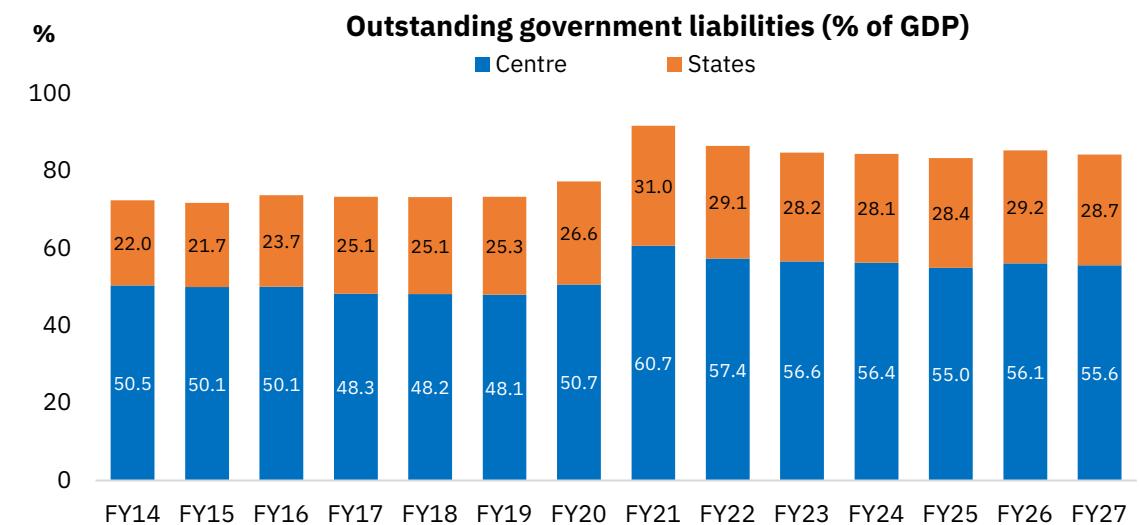


Source: Budget Documents, RBI, CMIE, IMF Global debt database, NSE EPR. Notes: 1) 10Y average GSec yield for FY26 is till Jan 29<sup>th</sup>, 2026 2) Country codes: 1) JPY= Japan, USA= United States of America, FRA = France, CAN= Canada, GBR= United Kingdom, DEU= Germany, BRA= Brazil, IND= India, ZAF= South Africa, IDN= Indonesia, THA= Thailand, MEX= Mexico, MYS= Malaysia 3) Interest payments for FY25 is actuals, FY26 is revised and FY27 is budgeted 4) State's debt to GSDP is assumed to be lower by 0.5pp in FY27 5) Central government debt for FY26 and FY27 is based on the absolute numbers which have been computed using the current exchange rate, while till FY25, historical exchange rate has been used

**Figure 23: Central debt to GDP for India relative to peers**

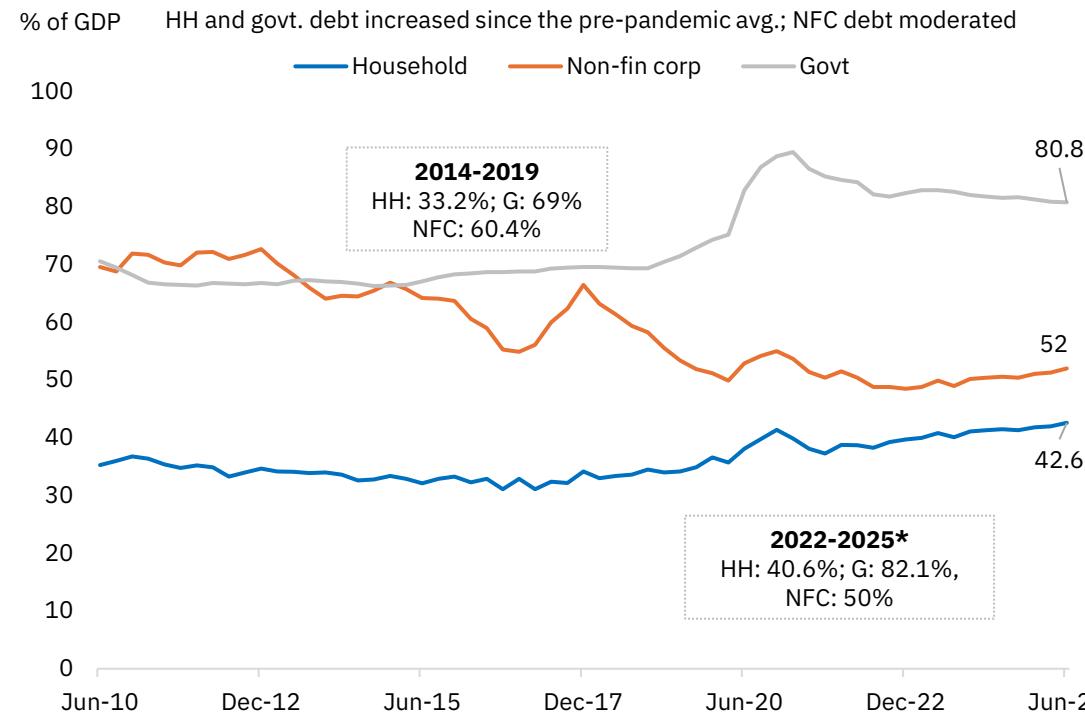


**Figure 25: Outstanding government liabilities (% of GDP)**

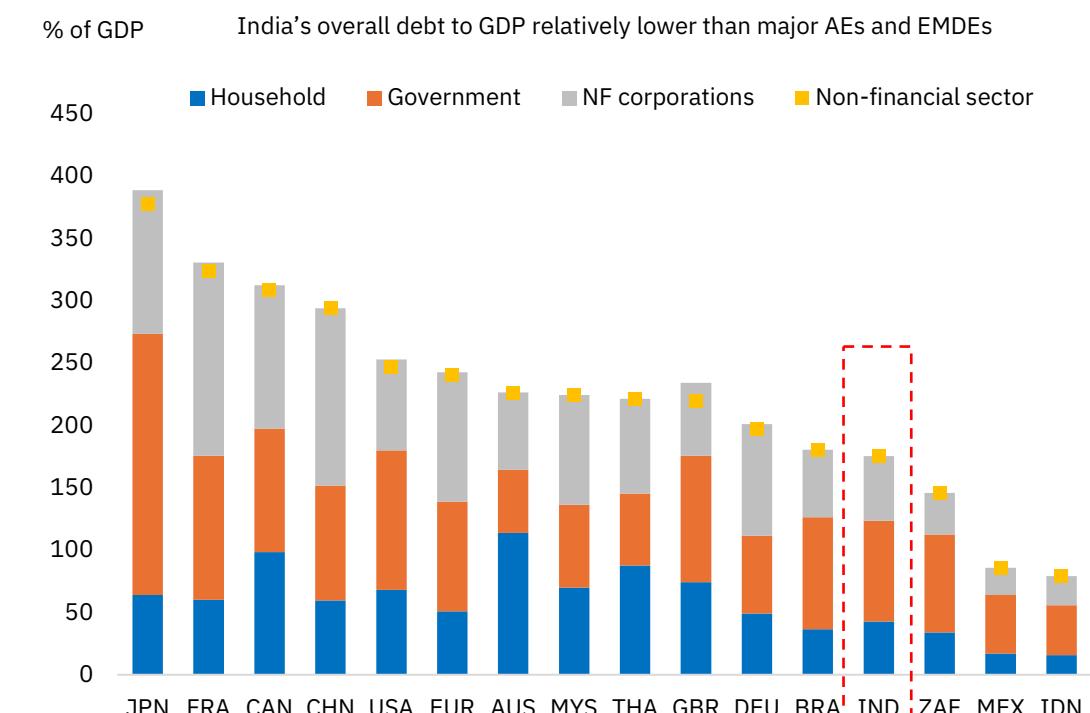


# India's debt levels elevated; however lower than AEs

**Figure 26: India's break-up of non-financial sector credit to GDP**



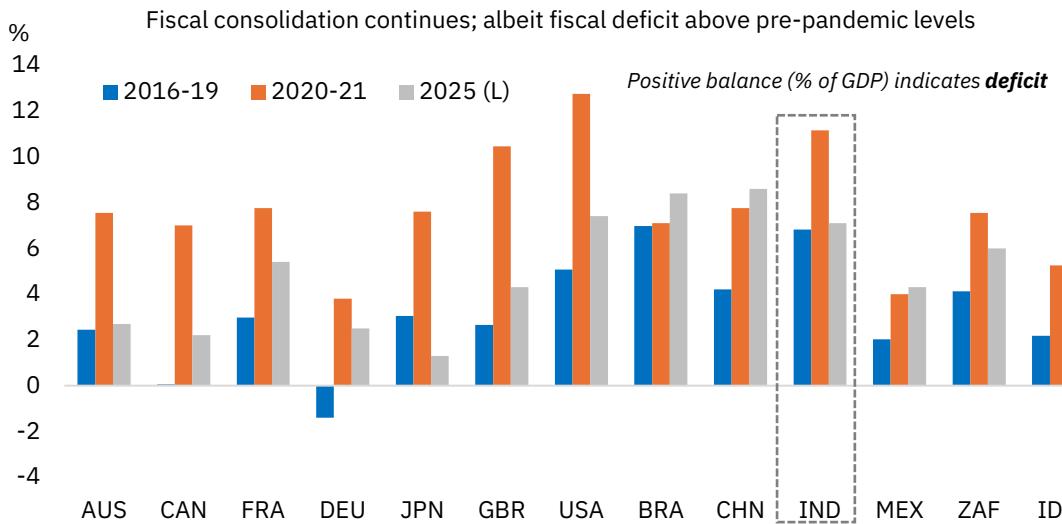
**Figure 27: Country-wise, category-wise NF credit to GDP (%) – June 2025**



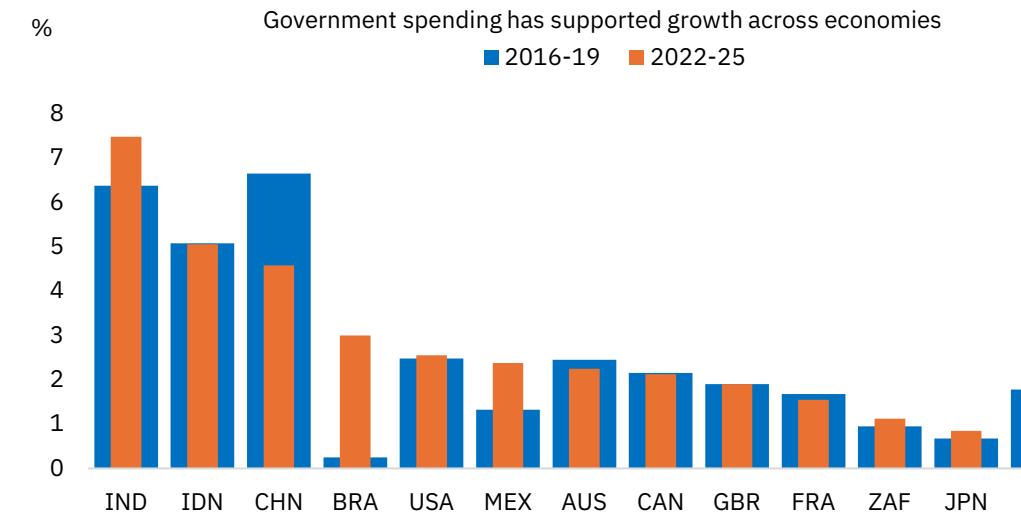
- ❖ Overall non-financial credit to GDP rose for India stood at **175+%** as of June 2025, higher than the pre-pandemic level of **162%** in 2019.
- ❖ This is however lower than advanced economies like Japan: **377%**, France: **324%**, Canada: **308%**, USA: **247%** and UK: **220%**
- ❖ Household debt in India has inched up from an avg. of 33% pre-pandemic (2014-19) to ~**41%** since 2022; but is lower than AEs and peers like Thailand (88%), Malaysia (70%) and China (~60%)
- ❖ Similarly, Government debt has also inched up since the pre-pandemic avg. level and remains elevated. However, it is lower than some peer economies like China (92%) and Brazil (90%)

# India's fiscal consolidation holds amid capex strength

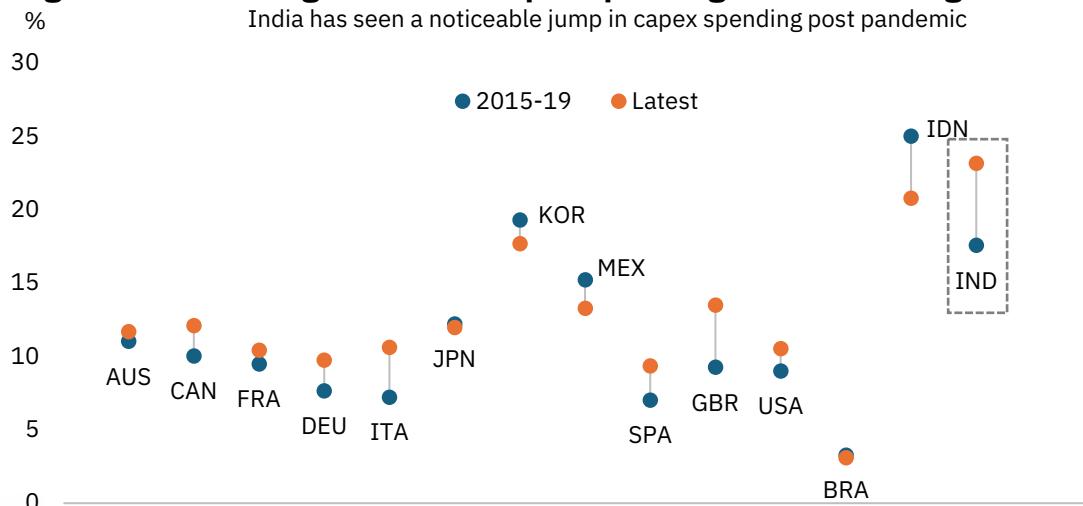
**Figure 23: General government balance (% of GDP)**



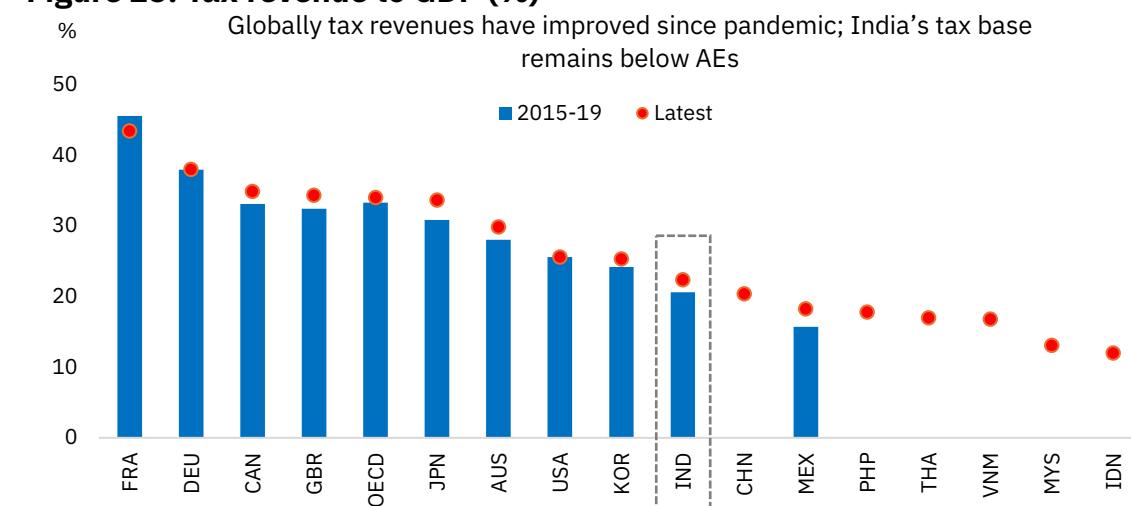
**Figure 23: Average GDP growth across countries**



**Figure 24: General government capex spending % of total budget size**



**Figure 25: Tax revenue to GDP (%)**



# Direct tax measures (1/2)

- ❖ Provisions of the new Income tax Act, 2025 to come into effect from 1<sup>st</sup> April, 2026
- ❖ No changes in income tax rate slabs for FY 2026-27.

**Table 11: Direct tax measures**

<b>Measures</b>	
Individual Persons Resident Outside India	<ul style="list-style-type: none"><li>• Individual Persons Resident Outside India (PROIs) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme (PIS)</li></ul>
Reduced Tax collected at source (TCS) on	<ul style="list-style-type: none"><li>• Overseas tour packages from 5% and 20% slabs to 2%, without any stipulation of amount</li><li>• Education and medical treatment abroad from 5% to 2%, under the Liberalised remittance scheme</li></ul>
Tax deducted at source (TDS) provisions	<ul style="list-style-type: none"><li>• TDS on sale of immovable property by a non-resident to be deducted and deposited using resident buyer's PAN based challan instead of requiring TAN (Tax deduction and collection account number)</li><li>• Manpower supply services are proposed to be covered under contractor payments, with TDS at 1% or 2%</li><li>• Automated lower/ Nil TDS certificates for small taxpayers</li></ul>
One-time 6-month foreign asset disclosure scheme	<ul style="list-style-type: none"><li>• For small taxpayers like students, young professionals, relocated NRIs and others</li><li>• Category A – Undisclosed assets up to Rs 1 crore</li><li>• Category B – Disclosed income but unreported assets up to Rs 5 crores</li></ul>
Minimum alternate tax (MAT) reforms	<ul style="list-style-type: none"><li>• MAT to become final tax from 1<sup>st</sup> April 2026, with no further credit accumulation; MAT rate reduced from 15% to 14%</li><li>• MAT Exemption to all non- residents who pay tax on presumptive basis</li></ul>
Return filling and revision timelines	<ul style="list-style-type: none"><li>• Extension to file revised income tax returns from 31<sup>st</sup> December to 31<sup>st</sup> March, subject to payment of a nominal fee.</li><li>• Non-audit business cases and trusts filing deadline extended up to 31<sup>st</sup> August</li></ul>

# Direct tax measures (2/2)

Measures	
Tax holiday till 2047	<ul style="list-style-type: none"> <li>To foreign companies providing global cloud services using data centers located in India, subject to servicing Indian customers through an Indian reseller.</li> <li>15% safe harbour margin on cost for companies providing data center services from India to related entities</li> </ul>
Penalty and prosecution	<ul style="list-style-type: none"> <li>Assessment and penalty to be combined in one order and pre deposit reduced to 10% of core tax demand.</li> </ul>
Taxation on share buybacks	<p>Buybacks taxed as capital gains for all shareholders</p> <ul style="list-style-type: none"> <li>22% for corporate promoters</li> <li>30% for non-corporate promoters</li> </ul>
Rationalisation of TCS rates	<ul style="list-style-type: none"> <li>TCS on sale of alcoholic liquor, scrap and minerals rationalised at 2% and on tendu leaves reduced from 5% to 2%</li> </ul>

**Table 12: Revision in STT rates for futures and options**

Particulars	Current rate (till March 31 <sup>st</sup> , 2026)	Proposed rate (Effective April 1 <sup>st</sup> , 2026)
Futures	0.02%	0.05%
Options – Premium	0.1%	0.15%
Options – Exercised	0.125%	0.15%

# Indirect tax measures

**Table 13: Export related measures**

Products	Measures
Marine, leather and textile products	<ul style="list-style-type: none"><li>▪ <b>Extension of time period of export of final product</b>—from six (6) months <b>to one (1) year</b>—for exporters of leather or textile garments, leather or synthetic footwear and other leather products</li></ul>
Biogas blended CNG	<ul style="list-style-type: none"><li>▪ <b>Exclusion of entire value of biogas</b> while collecting the Central Excise duty payable on biogas blended CNG</li></ul>
Manufacturing units in SEZs	<ul style="list-style-type: none"><li>▪ Special one-time measure to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty</li></ul>
Fisheries	<ul style="list-style-type: none"><li>▪ Fish caught by an Indian vessel in EEZ or on the High Seas will be made <b>free of duty</b></li><li>▪ Landing of such fish on foreign port <b>will be treated as export of goods</b></li></ul>
E-commerce	<ul style="list-style-type: none"><li>▪ <b>Complete removal of the current value cap of Rs 10 lakh per consignment on courier exports</b> to support India's small businesses, artisans and start-ups to access global markets through e-commerce</li></ul>

# Indirect tax measures (contd.)

Table 14: Import related measures

Products	Measures
Marine, leather and textile products	<ul style="list-style-type: none"> <li>Limit for duty free import of specified inputs used for processing seafood products <b>increased from 1% to 3% FOB value of previous year's export turnover</b></li> <li>Allowing <b>duty-free imports of specified inputs</b>, which is currently available for exports of leather or synthetic footwear, to exports of Shoe Uppers as well.</li> </ul>
Lithium ion cells	<ul style="list-style-type: none"> <li><b>Extension of Basic Customs Duty (BCD) exemption</b> given to <b>capital goods</b> used for manufacturing Li-ion cells for batteries, to those used for manufacturing Li-ion cells for battery energy storage systems too</li> <li><b>Import of sodium antimonate</b>, used for manufacturing solar glass, added to <b>BCD exemption list</b></li> </ul>
Nuclear power	<ul style="list-style-type: none"> <li><b>Expansion of existing BCD</b> on imports of goods required for Nuclear Power projects <b>till 2035</b> and <b>for all nuclear plants</b> irrespective of their capacity</li> </ul>
Critical minerals	<ul style="list-style-type: none"> <li><b>BCD exemption</b> to the import of capital goods required for processing critical minerals in India</li> </ul>
Civil and defence aviation	<ul style="list-style-type: none"> <li><b>BCD exemption</b> on components and parts required for the manufacture of civilian, training and other aircrafts</li> <li><b>BCD exemption</b> on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the defence sector</li> </ul>
Consumer electronics	<ul style="list-style-type: none"> <li><b>BCD exemption</b> on specified parts used in the manufacturing of microwave ovens</li> </ul>
Consumer goods	<ul style="list-style-type: none"> <li><b>Reduction in tariff rates from 20% to 10%</b> on all dutiable goods imported for personal use</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li><b>17 drugs and medicines</b> used during treatment of cancer added to BCD exclusion list</li> <li><b>7 more rare diseases to be added</b> for the purposes of exempting import duties on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment</li> </ul>

# Indirect tax measures (contd.)

Products	Measures
Customs process	<ul style="list-style-type: none"><li>▪ <b>Duty deferral period</b> for Tier 2 and Tier 3 Authorised Economic Operators (AEOs) <b>increased from 15 days to 30 days</b>.</li><li>▪ <b>Eligible manufacturer-importers will be provided the same duty deferral facility</b>, in order to encourage them to get themselves accredited as a full-fledged Tier 3 AEO in due course.</li><li>▪ <b>Extension of validity period of advance ruling</b>, binding on Customs, <b>from 3 years to 5 years</b>.</li><li>▪ Government agencies will be encouraged to leverage AEO accreditation for preferential treatment in their cargo clearance.</li><li>▪ Export cargo using electronic sealing will be provided through clearance from the factory premises to the ship.</li><li>▪ <b>Custom Warehousing Framework</b> will be transformed into a warehouse operator-centric system with self-declarations, electronic tracking and risk-based audit.</li><li>▪ <b>Approvals required for cargo clearance</b> from various Govt. agencies will be <b>processed through a single &amp; interconnected digital window</b> by the end of FY26.</li><li>▪ Processes involved in <b>clearance of food, drugs, plant, animal &amp; wild life products</b>—accounting for ~70% of indicted cargo—<b>will be operationalised on this system by April 2026</b> itself.</li><li>▪ <b>Immediate clearance</b> by Customs <b>for goods not having any compliance requirement</b>, after online registration is completed by importer, subject to payment of duty.</li><li>▪ <b>Custom Integrated System (CIS)</b> will be rolled out in 2 years as a single, integrated and scalable platform for all customs processes.</li><li>▪ Utilization of non-intrusive scanning with Advanced imaging &amp; AI for risk assessment to be expanded in a phased manner with the objective to scan every container across all the major ports.</li></ul>

# Key sector-wise announcements and implications

Sector	Announcement Highlights	Implications
Agriculture	<ul style="list-style-type: none"> <li><b>Bharat-VISTAAR:</b> Launch of a multilingual AI-based advisory platform integrating AgriStack portals with ICAR agricultural practice packages.</li> <li>Targeted promotion of coconut, cashew, cocoa and sandalwood to move agriculture up the value chain.</li> <li>Loan-linked capital subsidy for private veterinary education, diagnostics and breeding facilities.</li> <li>Development of 500 reservoirs to expand inland fisheries capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Enhances farm productivity and decision-making through data-driven, real-time advisories.</li> <li>Diversifies rural incomes beyond cereals.</li> <li>Strengthens India's competitiveness in premium agricultural and marine exports.</li> <li>Improves livestock health and allied sector productivity, supporting overall rural resilience.</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li><b>India Semiconductor Mission (ISM) 2.0:</b> Launched to deepen domestic capabilities across fabrication, packaging, testing and design.</li> <li><b>Electronics Components Manufacturing Scheme (ECMS):</b> Outlay increased from Rs 23k crore to Rs 40k crore to strengthen component-level manufacturing.</li> <li><b>Container Manufacturing Scheme:</b> Budget allocation of Rs 10,000 crore over five years to develop domestic container capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerates India's transition from assembly to deep-tech and component manufacturing</li> <li>Reduces import dependence in electronics and critical manufacturing inputs.</li> <li>Eases logistics bottlenecks and lowers freight costs, improving export competitiveness of manufacturing and engineering goods.</li> </ul>
Infrastructure & Investment	<ul style="list-style-type: none"> <li>Public capital expenditure allocation increased to <b>Rs 12.2 lakh crore</b></li> <li>7 new corridors and a dedicated Integrated East Coast Industrial Corridor with a node at Durgapur</li> <li>Creation of 5 university townships along major industrial and logistic corridors</li> <li>Establishment of an <b>Infrastructure Risk Guarantee Fund</b></li> <li>Proposal to launch a <b>Coastal Cargo Promotion scheme</b></li> </ul>	<ul style="list-style-type: none"> <li>Promotes environmentally sustainable and mass passenger transport systems.</li> <li>Facilitates two-way mobility of skilled professionals and trained workforce, supporting regional labour markets.</li> <li>Addresses key private developer concerns around project viability, execution risk, and long-term returns.</li> <li>Crowds in private capital for large-scale public infrastructure development.</li> </ul>

# Key sector-wise announcements and implications (Contd..)

Sector	Announcement Highlights	Implications
Rural Development	<ul style="list-style-type: none"> <li><b>Mahatma Gandhi Gram Swaraj Initiative:</b> Launched to strengthen khadi, handloom and handicrafts manufacturing through cluster-based support.</li> <li><b>SHE-MARTs:</b> Setting up of community-owned retail outlets for women-led rural enterprises, supported by enhanced and innovative financing instruments.</li> </ul>	<ul style="list-style-type: none"> <li>Integrates rural artisans with formal markets, modern value chains and e-commerce platforms.</li> <li>Enables women entrepreneurs to transition from credit-dependent livelihoods to enterprise ownership.</li> <li>Improves income stability and scalability of traditional rural industries.</li> </ul>
Health	<ul style="list-style-type: none"> <li><b>Biopharma SHAKTI initiative:</b> Rs 10,000 crore outlay over 5 years to develop India as a global biopharma manufacturing hub.</li> <li>Setting up of National Mental Health Institutes in North India, 3 new All India Institutes of Ayurveda, 3 new NIPERs and upgradation of 7 existing NIPERs</li> <li>Basic Customs Duty exemption on 17 critical medicines, including cancer drugs.</li> </ul>	<ul style="list-style-type: none"> <li>Enhances domestic production of pharmaceuticals and research competitiveness</li> <li>Lowers treatment costs for critical illnesses and expands access to affordable medicines.</li> <li>Builds specialised manpower and infrastructure for mental health and integrated medicine ecosystems.</li> </ul>
Start-ups & MSMEs	<ul style="list-style-type: none"> <li><b>Rs 10,000 crore MSME Growth Fund</b> to support the creation of Champion MSMEs through equity.</li> <li><b>Corporate Mitras initiative:</b> Professional bodies (ICAI, ICSI, ICMAI) to design short-term, modular courses to build a cadre of compliance facilitators</li> </ul>	<ul style="list-style-type: none"> <li>Improves MSME access to equity and working capital.</li> <li>Supports scaling beyond early-stage entrepreneurship into formal, growth-oriented enterprises.</li> <li>Reduces compliance costs and improves formalisation for small businesses.</li> </ul>
Education & Skill Development	<ul style="list-style-type: none"> <li>One Girls' Hostel in every district to improve access to secondary and higher education.</li> <li><b>AVGC Content Creator Labs</b> to be set up in 15,000 secondary schools and 500 colleges.</li> <li>Training of 1.5 lakh multi-skilled caregivers through NSQF-aligned programmes.</li> </ul>	<ul style="list-style-type: none"> <li>Improves female participation in education and strengthens long-term labour force inclusion.</li> <li>Builds a skilled talent pipeline for creative, digital and emerging service industries.</li> <li>Addresses shortages in the care and healthcare support workforce, improving service delivery.</li> </ul>

# Key sector-wise announcements and implications (Contd..)

Sector	Announcement Highlights	Implications
Technology & New Economy	<ul style="list-style-type: none"> <li>Tax holiday until 2047 for foreign cloud service providers operating through India-based data centres.</li> <li><b>Safe harbour threshold</b> for IT services raised from Rs 300 crore to Rs 2,000 crore, with automated, rule-based approvals.</li> </ul>	<ul style="list-style-type: none"> <li>Encourages localization of high-value digital and cloud-based services</li> <li>Reduces tax uncertainty and compliance costs for mid-sized IT firms and digital startups.</li> </ul>
Exports & Global Trade	<ul style="list-style-type: none"> <li><b>E-commerce exports:</b> Removal of the Rs 10 lakh cap on courier exports to facilitate B2C trade.</li> <li><b>Textiles &amp; leather:</b> Extension of export realisation timeline from 6 months to 1 year.</li> <li><b>Seafood processing inputs:</b> Increase in duty-free import limit for specified inputs from 1% to 3% of FOB value of previous year's export turnover.</li> <li><b>High-seas fishing:</b> Fish harvested beyond India's territorial waters to be imported duty-free; fish landed at foreign ports to be treated as export of goods.</li> </ul>	<ul style="list-style-type: none"> <li>Enables MSMEs and startups to scale direct-to-consumer exports through courier channels.</li> <li>Provides working-capital flexibility and risk mitigation for textile and leather exporters.</li> <li>Improves competitiveness of seafood exports by lowering input costs and logistics friction.</li> <li>Aligns India's trade treatment with global fishing and processing practices, supporting marine export growth.</li> </ul>
Tourism & Culture	<ul style="list-style-type: none"> <li><b>Medical Value Tourism:</b> Establishment of 5 Regional Medical Hubs through Public-Private Partnerships.</li> <li><b>Cultural tourism:</b> Development of 15 archaeological sites into experiential destinations.</li> <li>Pilot program to upskill 10,000 tourist guides across 20 iconic sites through a 12-week hybrid training course</li> <li>Establishment of a <b>National Destination Digital Knowledge Grid</b> for cultural, spiritual and heritage sites.</li> </ul>	<ul style="list-style-type: none"> <li>Positions India as a global destination for Medical Value Tourism and experiential cultural travel.</li> <li>Creates diversified local employment for guides, researchers, historians, content creators and tech partners.</li> <li>Promotes sustainable and eco-friendly tourism, supporting long-term conservation and regional development.</li> <li>Enhances tourist experience quality through standardized skilling and digital discovery platforms.</li> </ul>

# Financial and Banking sector announcements

- ❖ Incentives of Rs 100 crore for a single bond issuance of over Rs 1000 crore introduced to encourage issuances of high value bonds by large cities.
- ❖ Introduction of a market making framework with access to funds and derivatives on corporate bond indices as well as total return swaps on corporate bonds.
- ❖ Exemptions on capital gains tax, with respect to Sovereign Gold Bonds(SGBs) would only be available now when individuals subscribe to such bonds at issue and then hold them to maturity.
- ❖ Setting up a “**High Level Committee on Banking for Viksit Bharat**” to comprehensively realign the sector with India’s long term growth trajectory.
- ❖ Proposal to restructure the Power Finance Corporation and Rural Electrification Corporation, in line with defined targets for credit disbursement and tech adoption outlined under “**NBFCs for Viksit Bharat**”.
- ❖ Proposed review of the **Foreign Exchange Management (Non-Debt) Rules** to create a more tractable framework for foreign investments, aligned with India’s fast-evolving economic trajectory.
- ❖ Individual Persons Resident Outside India(PIOs) can now invest in Indian listed equities via the **Portfolio Investment Scheme**, with the overall investment limit of all PIOs rising to 24%(vs 10% earlier).
- ❖ Proposed establishment of specialized REITs to accelerate the monetization of the significant real estate assets of CPSEs (Central Public Sector Enterprises).

# Economic Policy and Research

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