

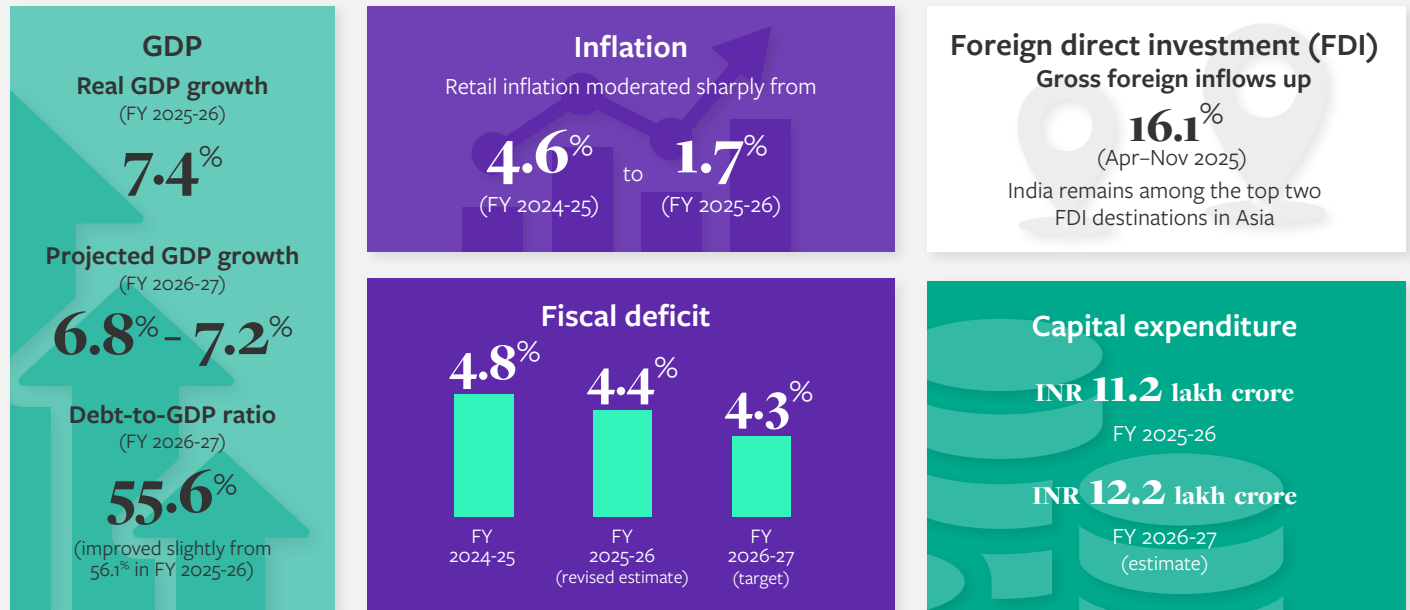
India Union Budget Highlights 2026



The Honourable Minister of Finance presented the India Union Budget on 1 February 2026. The key announcements and proposals are summarised below.

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Economic indicators



Budget focus: The three Kartavya (duties)



Accelerate and sustain economic growth



Fulfil aspirations of the people



Sabka Sath, Sabka Vikas
(Together with all, development for all)

Scaling up manufacturing: Seven strategic and frontier sectors



Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation)



Electronics components manufacturing scheme



India semiconductor mission (ISM) 1.0



Capital goods capability initiatives

- Hi-tech tool rooms
- Scheme for enhancement of construction and infrastructure equipment (CIE)
- Scheme for container manufacturing



Three dedicated chemical parks



Rare earth permanent magnets scheme



Integrated programme for the textile sector (labour-intensive segment)

Champion micro, small and medium enterprises (MSMEs)

- INR 10,000 crore SME growth fund
- Additional INR 2,000 crore to top up the Self-Reliant India Fund for stronger equity support
- Mandatory trade receivables discounting system (TReDS) for all CPSEs transactions and introduction of TReDS-based asset-backed securities
- Cheaper invoice financing supported via a credit-guarantee mechanism and linking Government e-marketplace (GeM) with TReDS
- Access to professional institutions to support MSMEs with compliance at affordable cost

Investment and finance

- High level committee on banking to align with India's next growth phase
- Incentive of INR 100 crore for single municipal bonds over INR 1000 crore
- Restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to enhance scale and efficiency in public sector non-banking financial companies (NBFCs)
- New market making mechanism and total return swaps to deepen corporate bond market making mechanism and total return swaps introduced to widen India's corporate bond market
- Dedicated REITs for recycling major central public sector enterprises (CPSE) real estate assets

Foreign investment reforms

- Comprehensive review of the Foreign Exchange Management (Non-Debt Instruments) Rules
- Individuals' resident outside India (PROIs) permitted to invest in listed equity via portfolio investment scheme (PIS) and the foreign portfolio investor (FPI) license will no longer be mandated
- Individual investment limit raised from 5% to 10%; aggregate PROI limit from 10% to 24%

Capital market measures

- Buyback tax shifted from dividend taxation to capital gains; promoters to be placed in separate category and taxed at higher rate
- Brokerage charged by Indian brokers to FPIs now exempt from GST
- Increase in Securities Transaction Tax (STT) on derivatives:
 - Futures: 0.02% to 0.05%.
 - Options:
 - Premium: 0.1% to 0.15%
 - On exercise: 0.125% to 0.15%

Tax reforms and fiscal initiatives

Tax rates

- The new Income Tax Act 2025 effective 1 April 2026
- No changes to personal or corporate income tax rates

Ease of living

- Small taxpayers may e-apply for lower or nil tax deducted at source (TDS) certificates (conditions apply)
- Resident individuals/hindu undivided family (HUFs) buying property from non-residents no longer require a tax account number (TAN) for TDS
- Investors in listed securities/units may file a single declaration with depositories; submission timelines shift from monthly to quarterly
- Filing deadlines updated:
 - Non-audit businesses, partners, trusts: 31 August
 - Revised return: 31 March (with nominal fee)
 - Updated returns permitted after reassessment notice with payment of additional 10% tax as well as when a taxpayer reduces the loss originally claimed in a timely filed return

Simplified tax and compliance for IT services

- Consolidation of notified IT services (software development, IT enabled, knowledge process outsourcing and contract R&D) into one category
- Safe harbour margin set at 15.5%, with threshold increased INR 2,000 crore, approvals automated, valid for five years
- Modified return facility extended to associated entities entering an advance pricing agreement

Attracting global business and investment

- Tax exemption until 2047 for foreign companies earning income from approved Indian-owned data centres
- Services to Indian users must be routed via an Indian reseller
- Tax exemption until 2031 for foreign companies supplying capital equipment to Indian contract manufacturers in customs-bonded zones
- Non-resident individuals providing services under a notified scheme exempt on global (non-India) income for five years
- Non-resident businesses under presumptive taxation (cruise ship and electronics-facility services) exempt from minimum alternate tax (MAT)

International Financial Services Centre (IFSC) and Special Economic Zone (SEZ)

- 20-year tax holiday for IFSC units (within a 25-year window)
- Offshore banking units eligible for a 20-year tax holiday
- Post-holiday business income taxed at 15%
- Deemed dividend rules not applicable to IFSC treasury centres (subject to conditions)

Minimum alternate tax (MAT)

- MAT reduced to 14%
- MAT credit under the old regime not available after 1 April 2026
- Domestic companies may claim MAT credit under the new tax regime up to 25% of tax liability
- MAT becomes a final tax, with no new credits and limited set-off during the transition to the new regime

Disclosure of foreign assets and foreign sourced income

- New, time-limited window under the Black Money Act for declaring foreign assets and income by individuals
- Tax/fee varies by acquisition method and income type; limited relief from penalty/prosecution available
- Cases under prosecution or linked to proceeds of crime are excluded

Other key tax measures

- Interest expenditure not allowed against dividend or mutual fund income
- Sovereign gold bonds exemption available only if subscribed at original issue and held to maturity
- Tax collected at source (TCS) rates rationalised for liberalised remittance scheme (LRS) categories (medical, education, and overseas travel)
- Clarified computation of the 60-day Transfer Pricing Officer (TPO) timeline for orders issued by the Transfer Pricing Officer
- Penalties introduced for non-reporting or incorrect reporting of crypto assets transactions
- Various penalty and prosecution provisions rationalised
- Lower customs duty on components used in manufacturing civilian aircraft

Key contacts

Reach out to our team for more information on the India 2026 budget.



Atul Muchhala

Managing Director, India

E atul.muchhala@iqeq.com



Khushboo Chopra

Head of Business Development

E khushboo.chopra@iqeq.com



Aniket Jadhav

Associate Director, Investor Services, Tax and Regulatory Reporting

E aniket.jadhav@iqeq.com



Rupesh Ajgekar

Associate Director, Fund Accounting and Operations

E rupesh.ajgekar@iqeq.com

This infographic summary is not a holistic guide on the India's 2026 budget. Some items found in the actual budget are omitted from this summary. To the best of our abilities, we have tried to feature those we deem of interest to the general public and our clients. For a comprehensive read, do head over to [India Union Budget website](https://www.indiaunionbudget.gov.in).

Reference: IH3487_03February2026

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