

SHARP &
TANNAN

UNION BUDGET

Assurance | Consulting | GRC | Tax

Ahmedabad | Bengaluru | Chennai | Coimbatore | Goa | Hyderabad | **Mumbai** | New Delhi | Pune | Vadodara

INTRODUCTION

The Union Budget 2026–27 is a continuation of growth strategy, anchored in fiscal discipline, sustained public capital expenditure and structural reforms aimed at strengthening competitiveness and governance. Against a backdrop of global uncertainty and trade disruptions, the Budget prioritises infrastructure-led growth, manufacturing ecosystem development, energy transition and people-centric investments, while maintaining stability in the tax regime. The focus is clearly on execution, compliance simplification and long-term capacity building rather than short-term incentives.



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Sharp & Tannan View – Executive Context

The Union Budget 2026–27 is best understood as a **continuity budget with quantified execution signals**, rather than a rate or incentive driven reset. From a boardroom standpoint, three messages are unmistakable: **(i) macro stability with fiscal consolidation, (ii) sustained public capital expenditure as the principal growth lever, and (iii) structural tax reform through simplification rather than rate changes.**

For promoters, boards, CXOs and senior finance leaders, the Budget provides confidence on predictability while simultaneously demanding sharper governance, cleaner tax positions and tighter compliance systems. The absence of headline corporate tax rate changes is deliberate; the real impact lies in **numbers, trajectories and transition timelines.**

Macro Economic Framework: Numbers that Matter

Growth and Size of the Economy

- Real GDP growth (FY 2025–26): ~7.4% (official estimate).
- Nominal GDP growth (FY 2026–27): ~10%, underpinning revenue buoyancy.
- India continues to be positioned among the fastest-growing large economies globally.

Fiscal Deficit and Consolidation Path

- Fiscal deficit (FY 2026–27 BE): ~4.3% of GDP.
- FY 2025–26 RE: ~4.4% of GDP.
- Clear commitment to glide-path consolidation without curtailing growth expenditure.

Government Borrowings and Debt

- Gross market borrowings (FY 2026–27): ~INR 17.2 lakh crore.

- Net market borrowings: ~INR 11.7 lakh crore.
- Central government debt-to-GDP: ~55–56%, on a marginally declining trajectory.

Revenue and Expenditure Snapshot

- Net tax receipts (FY 2026–27 BE): ~INR 28.7 lakh crore.
- Gross tax revenue: ~INR 44 lakh crore (~8% YoY growth).
- Total expenditure: ~INR 53.5 lakh crore.
- Non-debt capital receipts (including monetisation/disinvestment): ~INR 80,000 crore target.

Board takeaway: Macro numbers reflect discipline without austerity—supportive for long-term capital allocation decisions.

Public Capital Expenditure: The Primary Growth Engine

- Central Government capex (FY 2026–27): ~INR12.2 lakh crore.
- Increase over FY 2025–26 RE: ~11–12%.
- Capex at ~4.4% of GDP, among the highest in recent years.

Implications:

- Strong multi-year visibility for infrastructure, EPC, construction and core manufacturing.
- Continued crowding-in of private investment.
- Improved project bankability through monetisation and de-risking mechanisms.

Direct Taxes: Quantified Stability with Structural Change

New Income-Tax Law (Effective 1 April 2026)

- Comprehensive re-codification of the Income-tax law.
- No change in headline tax rates.
- Objective: simplification, reduced litigation, improved certainty.

Board-level impact:

- FY 2025–26 becomes a transition year.
- Early review of tax positions, legacy disputes, and system readiness critical.
- Potential impact on drafting, definitions, and procedural compliance.

Corporate Taxation

- Corporate tax rates unchanged (22% regime continues for most corporates).
- No expansion of sector-specific tax holidays or exemptions.

Key updates:

- **Minimum Alternate Tax (MAT) rationalised:**
 - MAT to be considered as final tax liability from 1 April 2026 under old regime.
 - MAT rate reduced from 15% to 14%.



- MAT credit utilisation restricted to companies under the new tax regime.
- Set-off of MAT credit for domestic companies capped at 25% of tax liability. For foreign companies, set-off of MAT credit is to be allowed to the extent of difference between tax on total income and tax as per MAT.
- Exemption from MAT to non-residents opting for presumptive taxation.
- Only MAT credit accumulated up to 31 March 2026 eligible for carry forward.
- **Deductibility of an employee's contribution to specified funds:**
 - Currently, employees' contribution to specified funds such as provident fund and Employees' State Insurance are allowed as a deduction only if deposited within the statutory due date prescribed under the respective laws.
 - However, it is now proposed to allow deduction of an employee's contribution if such contribution is deposited on or before the due date for filing the return of income, even where payment is not made within the statutory due date.
- **Buy-back of shares taxed as capital gains** instead of dividend income.
- **Interest deduction disallowed** against dividend income and income from mutual funds from FY 2026-27.

- **Stay of demand:** Presently, a taxpayer can obtain a stay of demand on an order which is in appeal by paying 20% of the amount payable under the Act (including the amount of tax, interest, fee, penalty, or any other sum). The stay can now be availed by paying only 10% of the amount of tax.
- **Extended tax holidays**
 - Data centre service providers (foreign companies providing data centre services outside India).
 - A safe harbour of 15% to the resident entity providing data centre services to a related foreign company.
 - On certain incomes by international financial services centre ('IFSC') units and offshore banking units ('OBU'), the period of deduction under section 147 is increased to 20 consecutive years.
 - Income tax exemption (5 years) to foreign companies providing capital goods/equipments for electronics good manufacturing in a bonded zone in India.
- **Transfer Pricing reforms:**
 - Fast-track of unilateral APA process (target timeline: 2 years, extendable to 6 more months).
 - Rationalisation of safe harbour provisions.
 - Modified return filing now available to associated entities (allowed for APA-covered years).
- **FAST-DS-2026 disclosure scheme** introduced for voluntary disclosure of undisclosed foreign income/assets, with specified tax and penalty framework.
- As part of the budget speech, the Finance Minister has announced that Income Computation and Disclosure Standards (ICDS) will be repealed with effect from 1 April 2027 and a joint committee consisting of the Ministry of Corporate Affairs and the Central Board of Direct Taxes (CBDT) will be formed to integrate ICDS and the Indian Accounting Standards.

Implications:

- Predictability for long-term investments and M&A.
- Higher reliance on tax governance, documentation, and substance.
- Listed entities expected to maintain conservative and defensible tax positions.
- Board-level actions: reassess contingent liabilities, review cross-border structures, and prepare for new law transition.

Capital Gains and Capital Market Taxes

- Securities Transaction Tax ('STT') increased on derivatives.
- No change in long-term capital gains framework for equities.

Impact assessment:

- Marginal increase in transaction costs for high-frequency and derivative traders.
- Limited impact on long-term investors, promoters, and strategic divestments.
- Treasury and hedging strategies may require recalibration.

International Taxation and Cross-Border Matters

- Alignment with global transparency standards continues.
- Relaxation in reporting thresholds for small overseas assets.
- No material change in transfer pricing principles.

Key actions:

- Review cross-border holding structures and APA timelines.
- Strengthen transfer pricing documentation and inter-company pricing governance.
- Monitor CBDT rules, clarifications, and subordinate legislation.

Compliance, Litigation and Risk

- Policy thrust on dispute reduction and faster resolution.
- Encouragement of trust-based compliance.

Governance relevance:

- Potential reassessment of contingent liabilities.
- Improved certainty in provisioning and audit reporting.
- Greater audit committee oversight on tax risk.
- Board level readiness ensures smooth transition to new Income-tax law and minimises litigation exposure.



Indirect Taxes: GST & Customs (Data-Driven Focus)

GST

- No major rate changes announced.
- Continued emphasis on analytics-led enforcement and tighter GST-income-tax-customs reconciliation.

Key updates:

- Place-of-supply rules revised for intermediary services to reduce disputes.
- Post-supply discount rules simplified, allowing credit notes with proportionate ITC reversal.
- Provisions of 90% provisional refund are extended to refunds arising out of inverted duty structure.

Business impact:

- Compliance quality directly impacts cash flows and working capital.
- Classification, valuation, and credit discipline remain critical.

Customs Duty

- Customs aligned with performance linked incentives ('PLI') and Make-in-India objectives.
- Targeted duty rationalisation to support domestic manufacturing.

- Protection for strategic sectors: electronics, chemicals, auto components.
- Customs duty exemptions on select capital goods and inputs (including Li-ion cells, aircraft parts) to support domestic manufacturing.
- Customs warehousing reforms moving towards operator-centric compliance and electronic tracking.

Implications for boards and operations:

- Reduced import cost and supply chain predictability for strategic manufacturing.
- Improved capital planning for energy, infrastructure, logistics, and high-tech sectors.
- Enhanced liquidity for exporters and MSME vendors.

Sectoral Impact: Where the Numbers Translate into Business (Top 10 Sectors)

Infrastructure, EPC and Construction

- Central Government capex: ~INR 12.2 lakh crore ($\approx 4.4\%$ of GDP), YoY growth $\sim 11\% - 12\%$.
- Asset monetisation target of ~INR 80,000 crore improves funding depth.
- Infrastructure Risk Guarantee framework strengthens PPP and HAM bankability.

Manufacturing and Industrial Goods (Auto, Chemicals, Textiles, Engineering)

- Semiconductor Mission 2.0 (~INR 40,000 crore) and chemical/industrial parks reinforce domestic value chains.
- Auto and auto-ancillary sectors benefit from localisation and scale efficiencies.
- Manufacturing competitiveness driven by PLI-aligned ecosystems, not incremental tax incentives.

Financial Services (Banks, NBFCs, HFCs, AMCs)

- Fiscal deficit moderation ($\sim 4.3\%$ of GDP) and predictable borrowing reduce crowding-out risk.

- Stable macro conditions support credit growth, housing finance and infrastructure lending.
- STT increase impacts derivatives trading economics, not long-term capital formation.

Information Technology, ITES and Global Capability Centres

- Policy continuity, digital public infrastructure and skilling initiatives sustain services exports.
- India remains a preferred GCC destination with no adverse tax or regulatory changes.

Energy, Power and Renewables

- Continued support for clean energy, rail electrification and grid modernisation.
- Targeted customs duty rationalisation improves viability of energy transition projects.
- Medium-term opportunities in storage, transmission and allied manufacturing.

Pharmaceuticals, Healthcare and Life Sciences

- INR 10,000 crore Biopharma SHAKTI supports biologics, biosimilars and innovation-led pharma.





- Positive spill-over for R&D, clinical research, manufacturing and exports.

Agriculture, Agri-Business and Food Processing

- Allocation of ~INR 1.63 lakh crore for agriculture, allied activities and high-value crops.
- AI-led initiatives such as Bharat Vistar improve productivity and advisory reach.
- Food processing and agri-exports benefit from value-addition focus.

Defence and Aerospace

- Capital outlay growth of ~22% YoY with strong domestic procurement emphasis.
- Expanding opportunities for defence manufacturing, aerospace components and MSME suppliers.

MSMEs and Start-ups

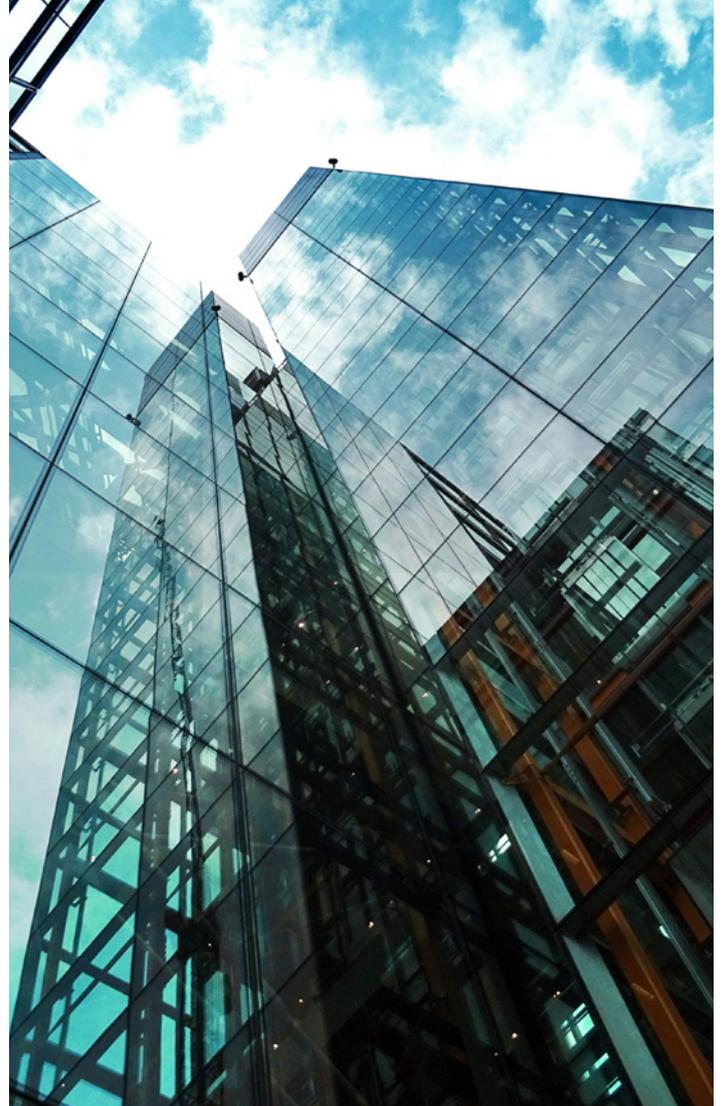
- INR 10,000 crore SME Growth Fund enhances access to growth capital.
- Strengthening of Trade Receivables Discounting System ('TReDS') and Government e-Marketplace ('GeM') improves liquidity and formalization.
- Indirect but material benefits for large corporates dependent on MSME vendors.

Logistics, Transport and Supply Chain

- Integrated push across rail, ports, roads, waterways and container manufacturing.
- Structural reduction in logistics cost as a percentage of GDP over the medium term.

Governance, ESG and Strategic Boardroom Takeaways

- Reinforce sustainability and responsible growth, integrating ESG with capital allocation, risk, and long-term value creation.
- Boards to align fiscal, tax, sustainability, and operational strategies for cohesive decision making.
- Prepare for the new Income-tax law transition; strengthen tax governance, compliance, and dispute management.
- Capex and growth strategies should leverage infrastructure-led opportunities and policy-backed manufacturing ecosystems.
- Incorporate ESG-aligned investments across energy, logistics, manufacturing, and social infrastructure.
- Leverage macro-stability and fiscal predictability for long-term strategic planning, M&A, and treasury decisions.
- Monitor implementation timelines and subordinate legislation.



Other Key Takeaways and Cross-Sector Themes

Infrastructure De-Risking and Private Capital Participation

- Infrastructure Risk Guarantee framework to crowd-in private capital for large, long-gestation projects.
- Enhances bankability of PPP, EPC and hybrid annuity structures.

Logistics, Connectivity and Trade Enablement

- Seven new high-speed rail corridors and expansion of freight corridors and national waterways.
- Improves logistics efficiency and export competitiveness.

Manufacturing Value Chains and Strategic Materials

- Focus on rare-earths, container manufacturing and electronics components.
- Long-term policy support for capital-intensive manufacturing ecosystems.

Services Exports and Employment Linkages

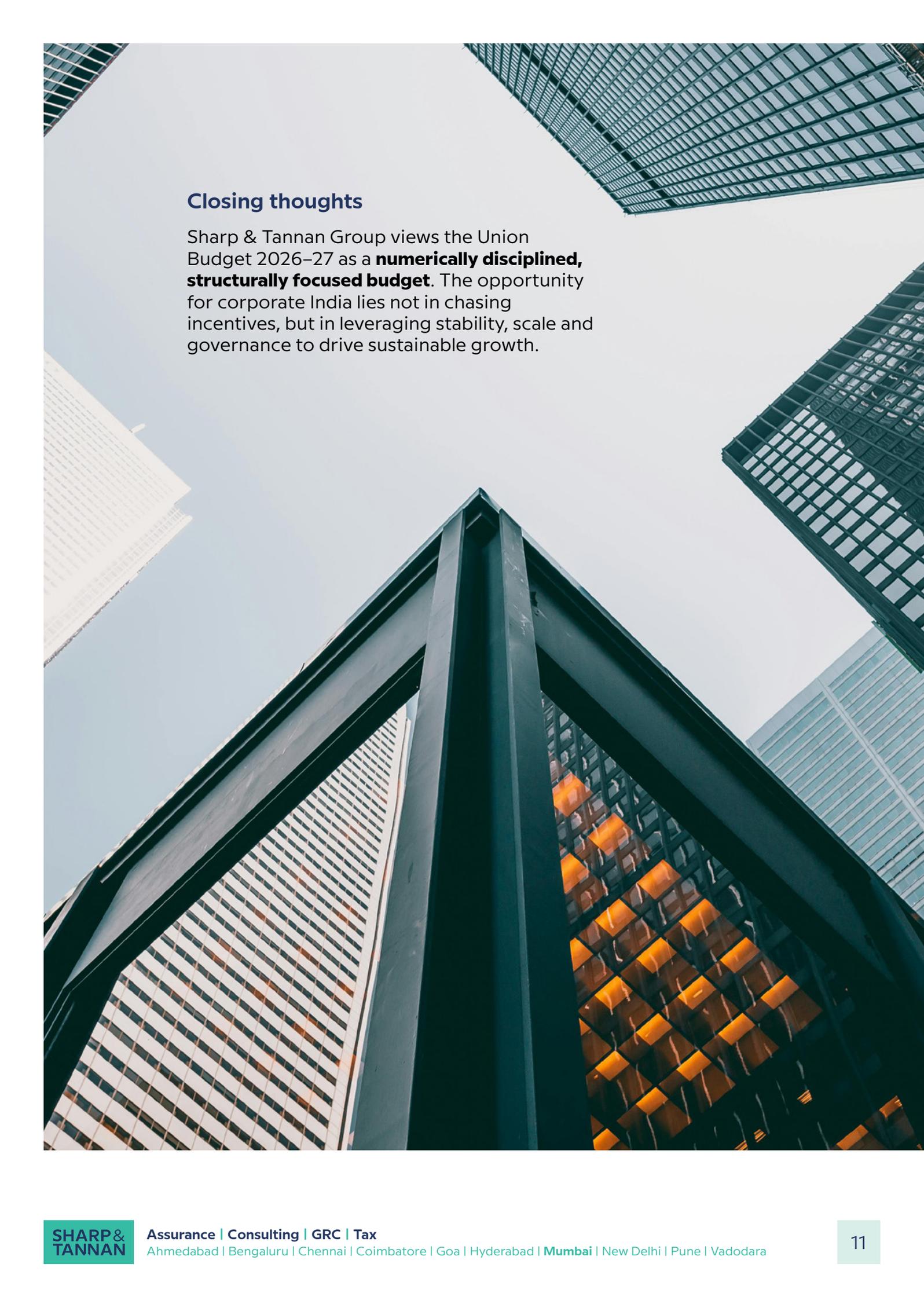
- Education-to-Employment & Enterprises (E2E) Committee to align skilling with services exports.
- Relevant for IT/ITES, consulting, financial services and GCCs.

Energy Transition and Sustainability Signals

- Policy continuity for clean energy, storage, rail electrification and nuclear power.
- Reinforces ESG-aligned capital allocation.

Capital Markets

- STT increase raises short-term transaction costs but does not alter long-term investment thesis.
- Fiscal consolidation and capex-led growth support long-horizon investors.

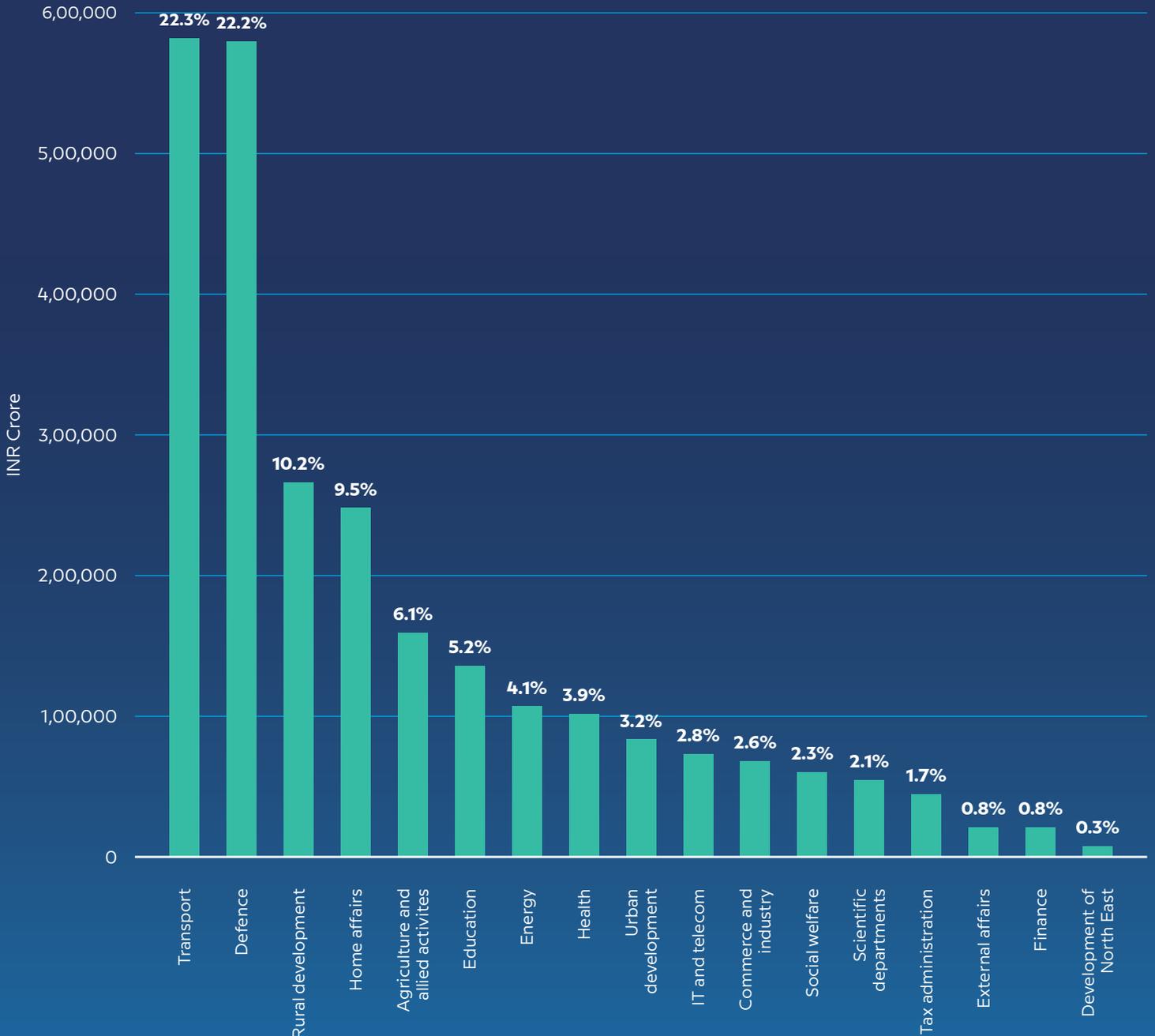


Closing thoughts

Sharp & Tannan Group views the Union Budget 2026–27 as a **numerically disciplined, structurally focused budget**. The opportunity for corporate India lies not in chasing incentives, but in leveraging stability, scale and governance to drive sustainable growth.

BUDGET HIGHLIGHTS

EXPENDITURE ON MAJOR ITEMS

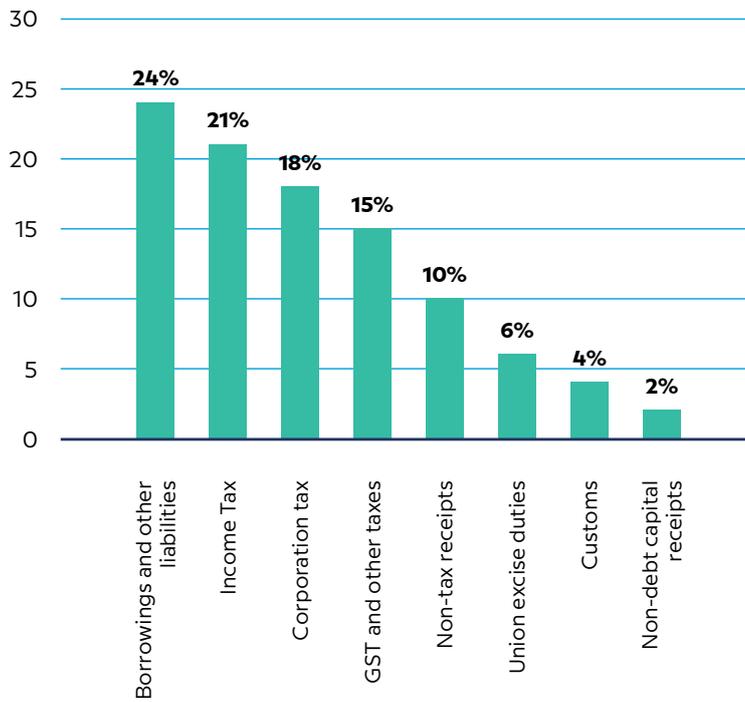


Source: Key features of Budget 2026-27

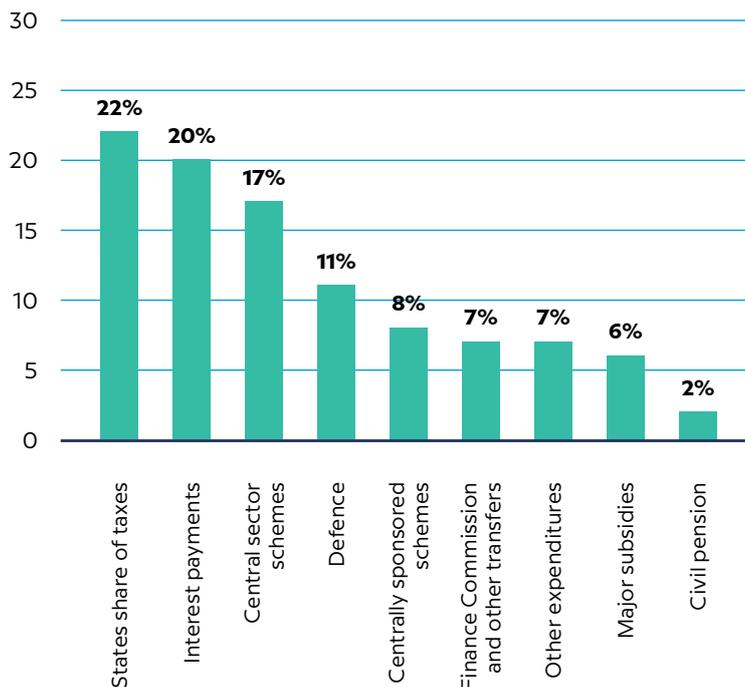
BUDGET HIGHLIGHTS

RUPEE IN & OUT

Rupee comes from



Rupee goes to

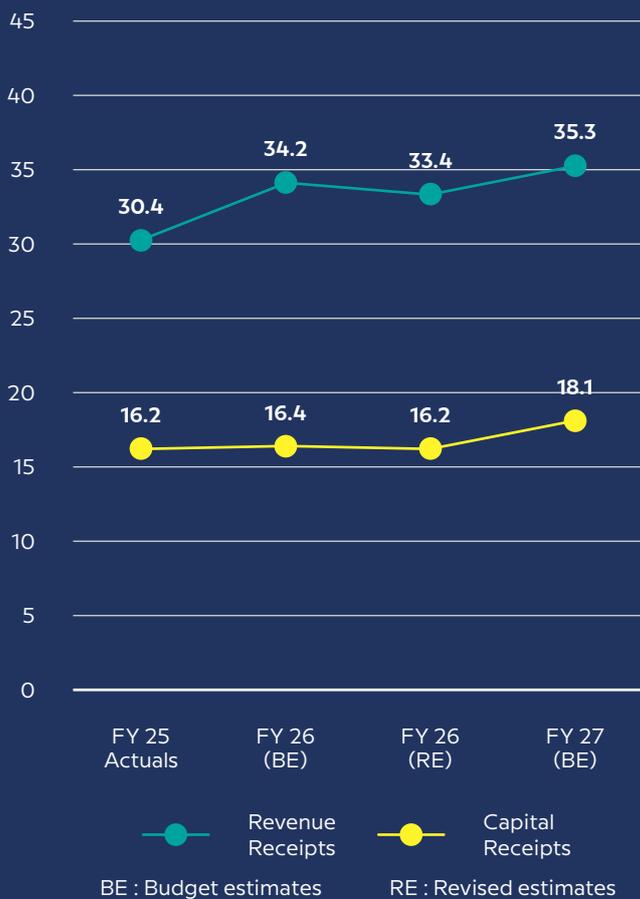


Source: Key features of Budget 2026-27

BUDGET HIGHLIGHTS

RECEIPTS & EXPENDITURE

RECEIPTS INR TRILLION



EXPENDITURE INR TRILLION



Source: Key features of Budget 2026-27

KEY POLICY ANNOUNCEMENTS: SECTORAL IMPLICATIONS

Infrastructure, EPC & Construction

Key announcements

- Proposal to set up a dedicated fund to provide partial credit guarantees to lenders, helping mitigate risks during the infrastructure development and construction phase.
 - Public capex has increased significantly from INR 2 lakh crore in FY 2014-15 to INR 11.2 lakh crore in BE 2025-26, with a further increase proposed to INR 12.2 lakh crore in FY 2026-27 to maintain investment momentum.
 - Proposal to accelerate the recycling of significant real estate assets of Central Public Sector Enterprises (CPSEs) through the creation of dedicated Real Estate Investment Trusts ('REITs').
 - Development of Dedicated Freight Corridors connecting eastern and western regions, along with the launch of the Coastal Cargo Promotion Scheme, to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047. Proposal also includes setting up a ship-repair ecosystem for inland waterways.
 - Introduction of a Seaplane Viability Gap Funding (VGF) scheme to support operations, along with incentives to promote indigenous manufacturing of seaplanes.
 - Introduction of a Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) to promote domestic manufacturing of advanced equipment such as lifts, fire-fighting systems, and tunnel-boring machines.
- Continued focus on infrastructure development in Tier II and Tier III cities (population above 5 lakh), supporting their emergence as new growth centres.
 - REIT based monetisation will bring professional asset management, transparency, and regulatory oversight, while attracting institutional and retail investors.
 - Enhanced use of inland waterways and coastal shipping will promote environmentally sustainable cargo movement, improve connectivity to mineral rich regions, and create employment and skill development opportunities along the waterways.
 - Seaplane services will improve last mile and remote connectivity, boost tourism, and reduce costs over time through indigenised manufacturing.
 - Strengthened domestic manufacturing of high value and technologically advanced CIE which can range from lifts in a multi-story apartment, fire-fighting equipment, large and small, to tunnel-boring equipment for building metros and high-altitude roads.

Implications

- Credit guarantees are expected to reduce project risks, encouraging greater private participation in infrastructure development.



Information Technology, ITES and Global Capability Centres

Key announcements

- IT enabled services, knowledge process outsourcing (KPO) services, and contract R&D related to software development will be clubbed under a single 'Information Technology Services' category with a uniform safe harbour margin of 15.5%. The safe harbour threshold will be enhanced from INR 300 crore to INR 2,000 crore.
- The Unilateral Advance Pricing Agreements ('APA') process for IT services will be fast tracked, with agreements proposed to be concluded within two years, extendable by six months on the taxpayer's request.

Implications

- Automated, rule based safe harbour approvals with no tax officer intervention, allowing companies to opt for the arrangement for up to five consecutive years.
- Reduced APA timelines, delivering greater tax certainty and lower compliance burden for IT service companies.

Energy, Power and Renewables

Key announcements

- Launch of a Carbon Capture, Utilisation and Storage (CCUS) scheme with a total outlay of INR 20,000 crore to support deployment across key industrial sectors.
- BCD exemption on the import of sodium antimonate used in the manufacture of solar glass.
- BCD exemption on import of capital goods for processing of critical minerals in India.
- Extension of BCD exemption on capital goods required for the manufacture of lithium ion cells used in battery energy storage systems.
- Extension of BCD exemption on imports for nuclear power projects until 2035, with applicability expanded to all nuclear plants, irrespective of capacity.
- Full exclusion of biogas value from Central Excise duty on biogas blended CNG.

Implications

- Accelerates carbon reduction readiness across power, steel, cement, refineries, and chemical sectors.
- Reduces input costs for solar glass manufacturing, strengthening the domestic renewable energy supply chain.
- Improves project viability and encourages setting up of mineral processing and value addition facilities within India.
- Encourages domestic manufacturing of advanced battery technologies and reduces import dependence.
- Reduces project costs for nuclear power plants by lowering import duties on critical equipment.
- Promotes use of renewable and cleaner fuels in the transport sector

Manufacturing and Industrial Goods (Auto, Chemicals, Textiles, Engineering)

Key announcements

- Launch of India Semiconductor Mission (ISM) 2.0 to strengthen domestic manufacturing of equipment and materials, develop full-stack Indian IP, and secure supply chains.



- Increase in outlay of the Electronics Components Manufacturing Scheme from INR 22,919 crore to INR 40,000 crore.
- Introduction of labour incentive schemes for the textile sector, including the National Fibre Scheme, Textile Expansion and Employment Scheme, National Handloom and Handicraft Programme, and Tex-Eco Initiative. Samarth 2.0 to modernize and upgrade the textile skilling ecosystem.
- Dedicated initiative for sports goods manufacturing to boost R&D, innovation in equipment design, and material sciences.
- Launch of a scheme to support States in setting up three Chemical Parks through a challenge based, cluster driven, plug and play model.
- Establishment of Hi-Tech Tool Rooms by CPSEs at two locations to provide digitally enabled, automated design, testing, and manufacturing of high precision components.
- Proposal of a Container Manufacturing Scheme with a budget of INR 10,000 crore over five years.

Implications

- Strengthens domestic semiconductor manufacturing capacity, strengthens supply chain resilience, promotes development of indigenous IP, and builds a skilled, industry ready workforce to improve India's global competitiveness.
- Accelerates the scale up of electronics component manufacturing by expanding production capacity, strengthening local supply networks, and reducing reliance on imports.
- Modernizes the textile skilling ecosystem, strengthens industry academia collaboration, supports weavers and artisans, promotes sustainable and globally competitive textiles, and boosts value addition in technical textiles.
- Boosts domestic sports goods manufacturing, advances research and innovation in equipment design as well as material sciences.
- Expands domestic chemical production capacity, reduces import dependence and creates cluster based industrial ecosystems.
- Enables cost efficient, scalable manufacturing of high precision components in India, improving quality, reducing lead times and production costs, and strengthening access for MSMEs and large manufacturers across sectors.

- Builds a globally competitive container manufacturing ecosystem supporting trade growth.

Financial Services (Banks, NBFCs, HFCs, AMCs)

Key announcements

- Set up a High-Level Committee on Banking for Viksit Bharat to undertake a comprehensive review of the banking sector.
- Restructure Power Finance Corporation and Rural Electrification Corporation to strengthen financing of the power sector.
- Provide INR 100 crore incentive to encourage large municipal bond issuances exceeding INR 1,000 crore.
- Undertake a comprehensive review of FEMA (Non-Debt Instruments) Rules to improve the investment framework.
- Introduce a market making framework for corporate bonds, including access to funds, derivatives on bond indices, and total return swaps, to deepen the debt market.

Implications

- Strengthens the banking system by aligning it with India's growth priorities, enhancing financial stability, expanding inclusion, and improving consumer protection.
- Improves efficiency and scale of public sector NBFCs, strengthens credit delivery, accelerates technology adoption, and enhances financing support for power and rural infrastructure development.



- Expands access to long term funding for urban infrastructure, strengthens municipal finances, and develops the municipal bond market.
- Simplifies and modernizes the investment framework, improves ease of doing business, attracts higher foreign capital inflows, and aligns foreign investment policy with India's evolving economic priorities.
- Improves market liquidity and price discovery, enhances risk management options, and strengthens investor participation in the corporate bond market.

MSMEs and Start-ups

Key announcements

- Equity Support: Establishment of INR 10,000 crore SME Growth Fund and INR 2,000 crore top up to the Self-Reliant India Fund.
- Liquidity Support: Mandatory use of TReDS by CPSEs for MSME procurements, along with CGTMSE-backed credit guarantees for invoice discounting to improve cash flows.
- Professional Support: Collaboration with ICAI, ICSI, and ICMAI to develop short-term modular courses for creating a network of 'Corporate Mitras', particularly in Tier-II and Tier-III cities.

Implications

- Strengthens access to growth and risk capital for high-potential MSMEs, supporting business scaling and sustained financing.
- Mandatory TReDS adoption by CPSEs, backed by CGTMSE guarantees and GeM integration, significantly improves cash flows and reduces financing costs.
- The 'Corporate Mitra' initiative expands affordable compliance support in Tier II and Tier III cities, accelerating formalisation and scalability of MSMEs and start-ups.

Defence and Aerospace

Key announcements

- Exemption of basic customs duty on aircraft components and raw materials for manufacturing and defence sector maintenance, repair and overhaul ('MRO') activities.

Implications

- Reduces production and maintenance costs for aircraft manufacturing and MRO activities, encourages domestic sourcing of components, strengthens the defence and civil aviation supply chain.

Pharmaceuticals, Healthcare and Life Sciences

Key announcements

- Proposal of Biopharma SHAKTI with an outlay of INR 10,000 crore over five years to position India as a global hub for biologics and biosimilars manufacturing.



- Upgrade existing Allied Health Professional institutions and establish new ones in public and private sectors.
- Build a comprehensive care ecosystem with NSQF aligned multi-skill training for caregivers.
- Support States in setting up five Regional Medical Hubs in partnership with the private sector.
- Establish 3 new All India Institutes of Ayurveda, upgrade AYUSH pharmacies and Drug Testing Labs, and enhance the WHO Global Traditional Medicine Centre.

- Loan linked capital subsidy scheme to support establishment of private veterinary and para-vet colleges, hospitals, diagnostic labs, and breeding facilities.
- Setting up of a NIMHANS-2, along with the upgradation of National Mental Health Institutes in Ranchi and Tezpur.
- The initiative involves the establishment of Emergency and Trauma Care Centres across district hospitals.

Implications

- Will help build an ecosystem for domestic production of biologics and biosimilars. Will help create a network of 1,000+ accredited India Clinical Trial sites for positioning India as a global pharma manufacturing hub.
- Assist in strengthening existing institutions for allied health professionals as well as the overall health sector through expanded capacity and skilled manpower.
- Expansion of allied health institutions, caregiver training, medical tourism hubs and emergency care infrastructure strengthens healthcare delivery and employment.
- Enhanced focus on AYUSH, veterinary sciences and mental healthcare broadens the life sciences ecosystem, creating innovation-led export-oriented growth opportunities.

Agriculture, Agri-Business and Food Processing

Key announcements

- Launch of Bharat-VISTAAR, a multilingual AI platform integrating AgriStack and ICAR's agricultural practices to support farmers with AI-driven insights.
- Rejuvenation of old, low-yield orchards and expansion of high-density cultivation of walnuts, almonds, and pine nuts.
- Credit-linked subsidy programme to modernise livestock enterprises, strengthen integrated dairy, poultry, and livestock value chains, and promote Livestock FPOs.
- Launch of a Coconut Promotion Scheme to enhance productivity by replacing old and unproductive trees in major coconut-growing States.

- Implementation of Indian Cashew and Indian Cocoa Programmes to boost production, productivity, and value addition.
- Integrated development of 500 reservoirs and Amrit Sarovars, along with strengthening the fisheries value chain in coastal regions.
- Partnership with States to revive the Indian Sandalwood ecosystem through focused cultivation and post-harvest processing.

Implications

- The Budget adopts a technology- and value-chain-driven approach to agriculture. Bharat-VISTAAR integrates AI with AgriStack and ICAR systems to enhance productivity and risk management.
- Focused programmes for horticulture, coconut, cashew, cocoa, sandalwood, fisheries and animal husbandry promote diversification, value addition and rural entrepreneurship.
- Integrated reservoir development and fisheries initiatives strengthen water utilisation, supply chains and market access, improving the agri-export potential of farmers.





Logistics, Transport and Supply Chain

Key announcements

- Launching of Coastal Cargo Promotion Scheme for promotion of coastal transport.
- Establishment of new Dedicated Freight Corridors connecting Dankuni (West Bengal) in the East, to Surat (Gujarat) in the West.
- Operationalise 20 new National Waterways over next 5 years, starting with NW-5 in Odisha and training institutes will be set up as regional centres of excellence for development of required manpower.
- Development of seven High-Speed Rail corridors termed as 'growth connectors'.
- Regular importers with trusted longstanding supply chains will be recognized in the risk system to minimize the verification procedure.

Implications

- Incentivise a modal shift from rail and road to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047, also ease pressure on road and rail networks, as well as promote environmentally friendly transportation.
- Promote environmentally sustainable passenger systems between various high traffic and busy cities like Mumbai, Pune, Hyderabad, Bengaluru, Delhi etc.
- Need for verification of cargo of importers gets minimised and export cargos will be provided through clearance from the factory premise to ship using electronic sealing.

People Centric Development

Key announcements

- Introduction of NSQF-aligned, multi-skilled caregiver training programmes to build a National Care Ecosystem, with 1.5 lakh caregivers to be trained in the coming year.
- The establishment of Self-Help Entrepreneur (SHE) Marts as community owned retail outlets within cluster level federations has been proposed.
- Under Divyangjan Kaushal Yojana, industry aligned and customized training will be provided to persons with disabilities to support dignified livelihood opportunities.
- Divyang Sahara Yojana introduced to ensure timely access to high quality assistive devices for eligible persons with disabilities.

Implications

- Expands the trained caregiver workforce, improves quality of care services, and creates employment opportunities.
- Strengthens women-led enterprises.
- Improves employability of Divyangjans through customized, industry-relevant training and expands dignified job opportunities.
- Improves availability and affordability of high-quality assistive devices through expanded domestic production, stronger retail access via PM Divyasha Kendras and Assistive Technology Marts.

Education

Key Announcements

- To set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to strengthen the Services Sector.
- Support Indian Institute of Creative Technologies, Mumbai, to set up AVGC Content Creator Labs in 15,000 schools and 500 colleges.
- Establish a new National Institute of Design through the challenge route.
- Create five University Townships near industrial and logistics corridors and One girls' hostel in every district.
- Establish the National Institute of Hospitality by upgrading the National Council for Hotel Management and Catering Technology
- Builds a strong talent pipeline by expanding hands-on AVGC training in schools and colleges. Improving digital/creative skills and supporting industry-ready workforce growth to meet future sector demand.
- Expands access to quality design education in eastern India, strengthens the talent pipeline, and supports innovation and industry competitiveness.
- Strengthens linkages between education and industry by creating integrated academic hubs near industrial corridors, improving access to skills, research, and talent to support regional economic growth.
- Improves quality of hospitality training, builds an industry-ready workforce, and strengthens collaboration between academia, industry, and government.

Implications

- Aligns education, skills, and enterprise development with services sector growth, boosts employment and exports, and prepares the workforce for emerging technologies to strengthen India's global leadership in services.



DIRECT TAX PROPOSALS

KEY HIGHLIGHTS

Corporate

- The consideration received on buy-back of shares shall be chargeable to tax under the head 'Capital gains'. In the case of promoters, the effective tax liability on gains arising from buy-back shall be 30%, comprising tax payable at the applicable rates together with an additional tax. In case of promoter companies, the effective tax liability will be 22%.
- In order to ensure uniform treatment across all specified businesses of non-residents opting for presumptive taxation, it is proposed to exclude two additional specified businesses from the applicability of MAT, namely the business of operating cruise ships and the business of providing services or technology for setting up an electronics manufacturing facility in India to a resident company.
- Section 147 allows 100% deduction on certain incomes earned by units located in an IFSC and by OBUs. This is available for 10 consecutive years out of 15 years for units in IFSC and 10 consecutive years for OBUs. It is proposed to increase the period of deduction to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs. It is also proposed that the business income of these units from IFSC after the expiry of period of deduction will be taxed at rate of 15%.
- Section 29(1)(e) of the Income Tax Act, 2025 currently allows employers to claim deduction of employee contributions made to specified funds, if credited by to the relevant funds within the statutory due date under relevant laws. The Finance Bill 2026 has proposed to amend this due date to the date of filing return under section 263(1), easing compliance for employers.

Personal

- Resident individual / HUF are now not required to obtain TAN (can use PAN) to deduct tax at source on any consideration paid for purchase of immovable property from non-resident seller.

- Compensation and interest received under the Motor Vehicles Act, 1988 by an individual or his legal heir, on account of death or permanent disability, or any bodily injury shall be exempt from tax. Further, no TDS is required to be deducted on the said interest on compensation received.
- It is proposed to increase the rate of STT as under:

Sr No	Particulars	Current Rate	Proposed Rate
1	On sale of an option in securities	0.1%	0.15% of the option premium
2	On sale of an option where the option is exercised	0.125%	0.15% of the intrinsic value
3	On sale of a future in securities	0.02%	0.05% of the traded price

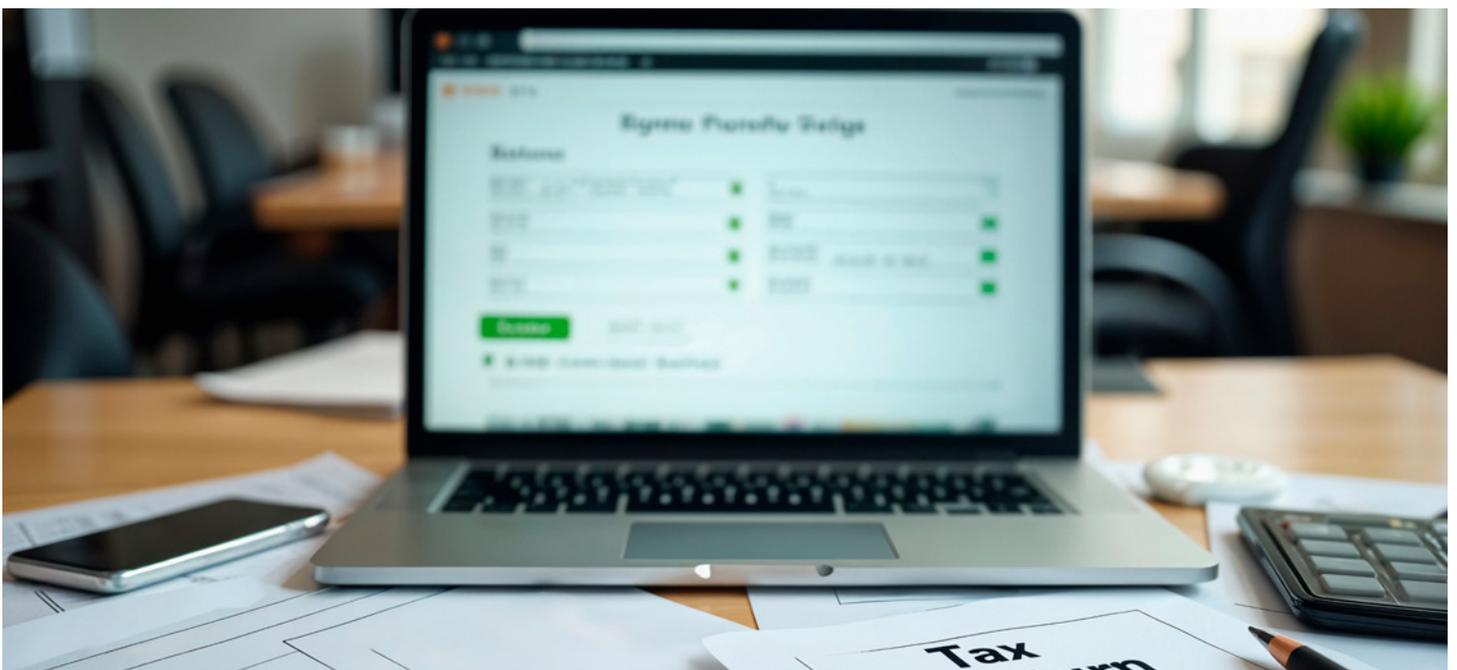
- One-time 6-month foreign assets disclosure scheme has been introduced to disclose income or assets for two categories of taxpayers:
 - who did not disclose their overseas income or asset and
 - who disclosed their overseas income and/or paid due tax, but could not declare the asset acquired

For Category (A): the limit of undisclosed income/asset up to INR 1 crore
Taxpayers must pay 30% of the Fair Market Value of the asset or undisclosed income as tax, plus an additional 30% tax in lieu of penalty and would be granted immunity from prosecution.

Category (B): asset value up to INR 5 crore
Immunity from both penalty and prosecution is available upon payment of fee of INR 1 lakh.

Others

- Section 263 of the Income-tax Act, 2025 governs ITR filing due dates for various taxpayers. It is proposed to extend the due date from 31 July to 31 August for assessees with non-audited business/ profession income, non-audited firm partners (or spouses if section 10 applies), and trusts, without audit requirements. The assesses requiring to file ITR-1/ITR-2 continue to file their return on or before 31 July.
- Section 263(5) of the Income-tax Act, 2025 currently allows taxpayers to file revised returns for omissions or errors in original/belated returns within 9 months from the end of the tax year or before completion of assessment, whichever is earlier. It is proposed to extend the time limit to file revised return to 12 months from the end of the tax year (earlier 'financial year').
- Section 263(6) of the Income-tax Act, 2025 governing updated return is proposed to allow filing of updated return where the taxpayer reduces the amount of loss compared to the loss claimed in the original return filed within due date specified under sub-section (1).
- Reduction in TCS on overseas tour package from 5% / 20% to 2%, without any prescribed limit.
- Reduction in TCS on education or medical treatment under liberalized remittance scheme ('LRS') from 5% to 2%.
- Interest expenditure incurred for earning dividend income or income from units of mutual fund is not allowable as deduction.
- It is clarified that time lines in section 153 and section 153B of the Income Tax Act, 1961, governs the draft order stage and the timelines provided in section 144C operate for finalization of assessments. This amendment is sought to be made retrospectively from 1 April 2009 for section 153 and from 1 October 2009 for section 153B.
- Section 292B of the Income Tax Act, 2025 is proposed to be clarified to provide that an assessment shall not be regarded as invalid merely due to any error or omission in quoting the computer-generated DIN, if the assessment order is referenced by the DIN in any manner, notwithstanding anything in any judgment, order or decree of court. As long as there is a reference of DIN in the assessment order, the same would be sufficient compliance in relation to such assessment.
- It is proposed to amend section 274 of the Income-tax Act, 1961 to provide that the penalty for underreporting of income levied under section 270A Income Tax Act, 1961 be imposed within the assessment order itself. Additionally, section 220 Income Tax Act, 1961 is proposed to be amended to ensure that interest under section 220(2) Income Tax Act, 1961 is charged only after the passing of an order by the CIT(A) or the ITAT (for appeals against DRP orders), as the case may be.
- It is proposed to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of ICDS in the Indian Accounting Standards ('Ind AS') itself. Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.



INDIRECT TAX PROPOSALS

KEY HIGHLIGHTS

Proposals for ease of doing business and trade facilitation

- Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' (i.e., trusted importers) is being created.
- Increase in the limit for duty-free imports of specified inputs used for processing seafood products for export, from 1% to 3% of the FOB value of the previous year's export turnover.
- Duty-free imports of specified inputs extended to export of shoe uppers in addition to leather or synthetic footwear.
- Extension of time for the export of final products from six months to one year, for exporters of
 - leather or textile garments
 - leather and synthetic footwear
 - other leather products
- Regular importers with trusted longstanding supply chains will be recognized in the risk system, so as to save their cargo verification time.
- Export cargo using electronic sealing to be provided through clearance from the factory premises to the ship.
- A special one-time measure to facilitate sales by eligible manufacturing units of SEZs in domestic tariff area at concessional rate of duty.
- To facilitate speedy clearance of cargo by various Government agencies, a single and interconnected digital window will be provided by 31 March 2026.
- Customs Integrated System ('CIS') to be rolled out in two years.
- To enable the honest taxpayers to get rid of the stigma of penalty, it is proposed that the penalty under section 28(5) of the Customs Act, 1962 shall be deemed to be a charge for non-payment of duty. Thus, they will now be able to close their cases by paying an additional amount in lieu of 'penalty.'
- Section 28J (2) is being amended so as to provide that advance ruling under sub-section (1) shall remain valid for a period of 5 years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
- The proviso to the said sub-section is also being substituted so as to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity of the ruling for 5 years from the date of the ruling.
- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty. The landing of such fish on a foreign port will also be treated as export of goods.

Basic Customs Duty ('BCD') exemptions

- Exemption on specified parts used in the manufacture of microwave ovens.
- Components and parts used in aircraft manufacturing and aviation Industry.
- Raw materials imported for manufacture of aircraft parts used in maintenance, repair, or overhaul requirements of defence units.
- Batteries for stationary energy storage applications i.e. Battery Energy Storage System
- Duty exemption till 30 September 2035 on goods required for setting up of specified nuclear power project, subject to specified conditions.
- Import duties on personal imports of drugs, medicines and Food for Special Medical Purposes ('FSMP') used in the treatment of specified rare diseases.
- 17 drugs or medicines for cancer patients.

SHARP &
TANNAN

ECONOMIC SURVEY

2025-26



Assurance | Consulting | GRC | Tax

Ahmedabad | Bengaluru | Chennai | Coimbatore | Goa | Hyderabad | Mumbai | New Delhi | Pune | Vadodara

INTRODUCTION

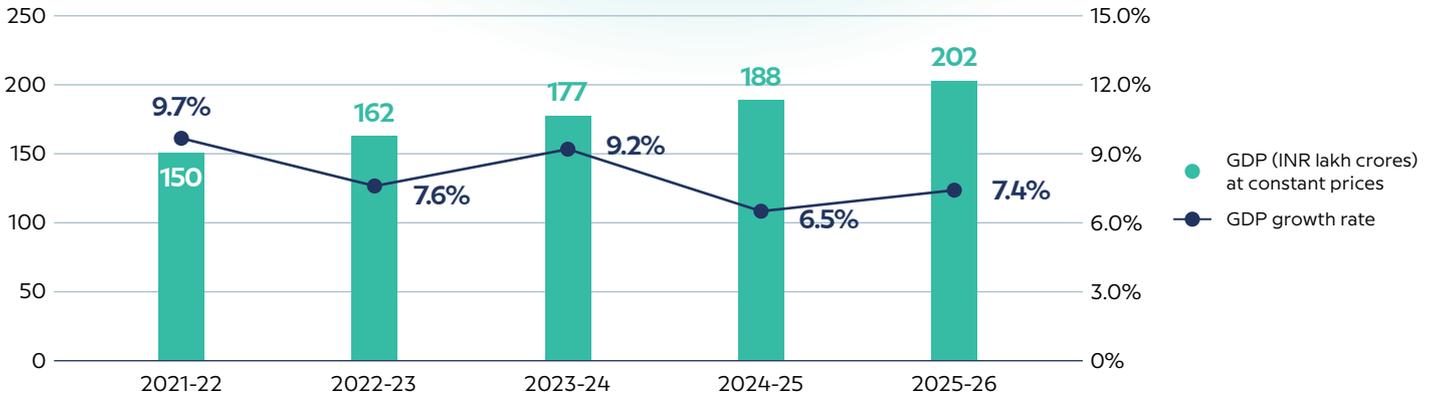
- The year 2025 ended with a challenging period of geopolitical conflicts, trade tensions and policy uncertainty for the global economy. Despite heightened uncertainties, global growth remains steady at 3.3%.
- The First Advance Estimates place India's real Gross Domestic Product ('GDP') growth at 7.4% in FY26, reaffirming India's position as one of the fastest-growing major economies.
- The key growth drivers of the Indian economy were
 - **Demand side**
 - Increased household spending, i.e. private final consumption expenditure ('PFCE'), contributing to 61.5% of GDP, the highest since FY12, clearly demonstrating that the growth was supported by domestic demand.
 - Investment, i.e. gross fixed capital formation ('GFCF'), contributed to 30% of GDP through sustained public capital expenditure and a revival in private investment activity as evident from corporate announcements.
 - **Supply side:** Manufacturing activity has gained traction, and services continue to drive overall expansion, led by steady performance in trade, transport, financial and professional services.
- In FY26, India concluded free trade agreements ('FTA's) with the European Union ('EU'), United Kingdom ('UK'), New Zealand and Oman, alongside economic cooperation with 10+ countries, opening new opportunities in automotive, aerospace, defence, manufacturing, science and technology, pharmaceuticals, fintech, and clean energy sectors. A wider FTA network strengthens India's trade strategy by securing market access amid global uncertainty.
- The year 2025 also witnessed major economic reforms, including the rationalisation of tax structures, implementation of labour codes for labour market reforms, and financial sector deregulation, all of which are expected to strengthen the growth prospects.

With the uncertainties and risks still hovering over, India through its policy support, is keen on maintaining a balance between innovation and stability for achieving long-term economic growth. The Economic Survey 2025-26 concludes that India's medium term growth potential has strengthened to 7%, positioning the economy on a path of steady expansion amid global uncertainty.

Source:
Economic Survey 2025-26
IMF World Economic Outlook, January 2026
RBI bulletin, January 2026

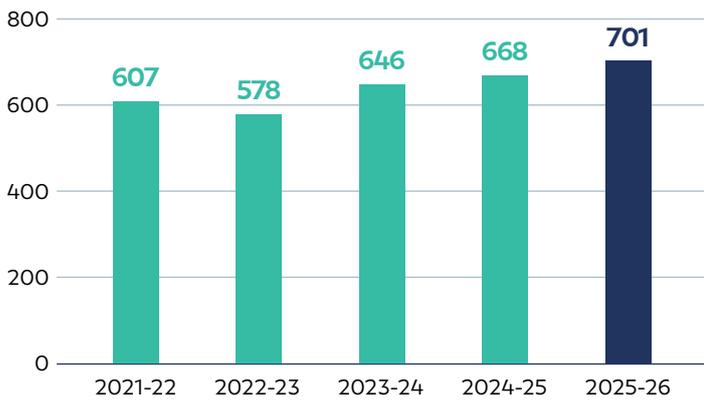
NUMBERS THAT MATTER

Gross domestic product (GDP) growth rate



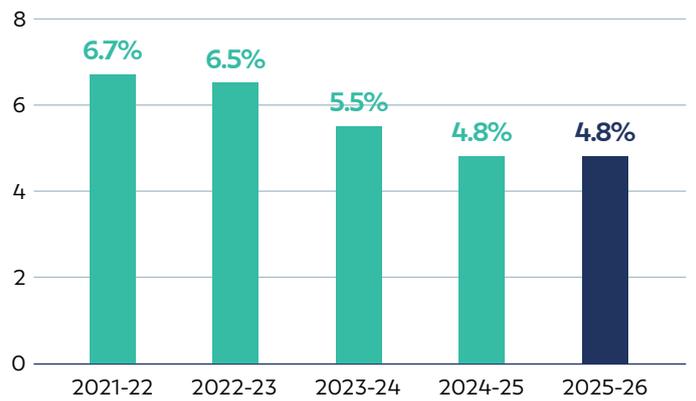
Foreign exchange reserves

In USD billion at year end



Fiscal deficit

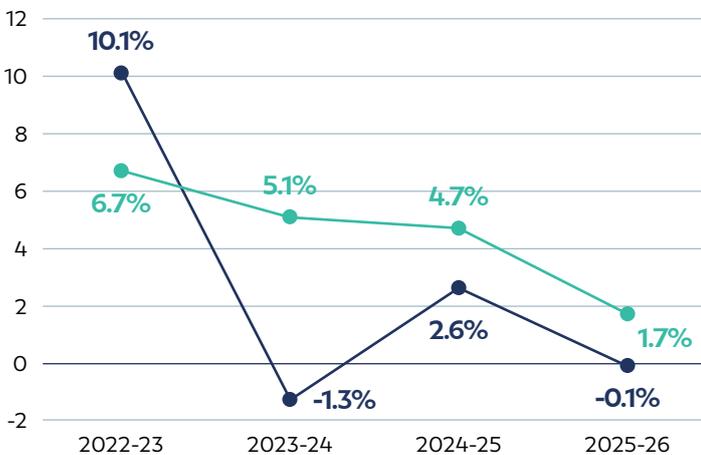
% of GDP



Inflation

Average

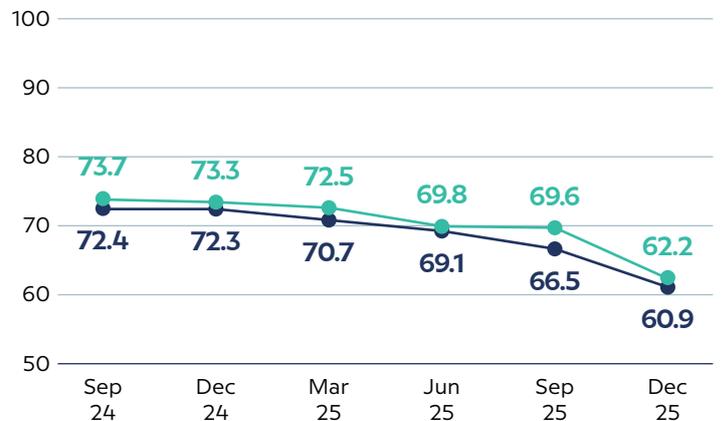
● WPI ● CPI



Crude oil prices

Price (US\$/bbl)

● Brent Dubai WTI ● Crude Oil (Indian Basket)



Source: Economic Survey 2025-26

SECTORAL HIGHLIGHTS

AGRICULTURE & ALLIED

The agriculture, livestock, forestry, and fishing sector is estimated to contribute 15.2% to the nominal GDP in FY26. The sector's real Year-on-Year ('YoY') growth for FY26 is estimated at 3.1%.

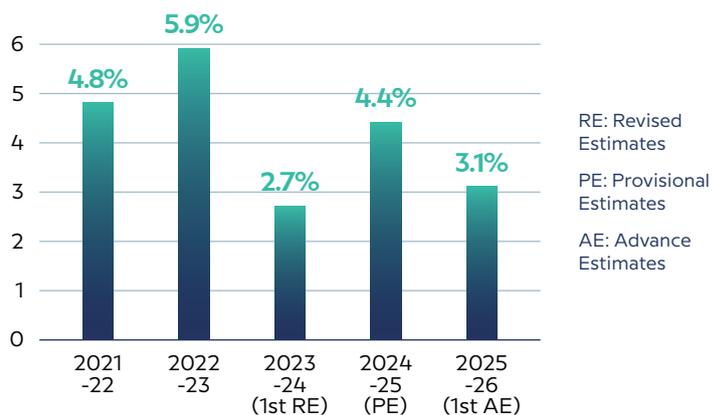
While crop growth remains volatile, allied sectors like livestock and fisheries have shown stable expansion at rates of 5%-6%, acting as crucial growth engines.

The horticulture sector, accounting for nearly 33% of agricultural GVA, has emerged as a bright spot in the country's agricultural growth, underscoring a gradual diversification of agricultural output towards high-value crops.

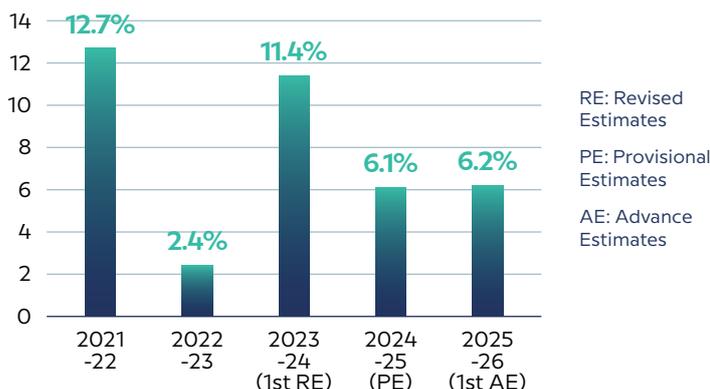
India is the world's largest producer of dry onions, contributing nearly 25% of global output. It also ranks second worldwide in the production of vegetables, fruits and potatoes, with a share of 12%-13% in each category.



Annual growth rate of real gross value added (GVA) at basic prices



Annual growth rate of real gross value added (GVA) at basic prices



INDUSTRY

The sector is estimated to contribute 24% to India's nominal GDP in FY26 and is estimated to grow at 6.2%.

Medium and high-technology activities: These activities account for 46.3% of India's total manufacturing value added, enabling India's Competitive Industrial Performance ('CIP') ranking improve to 37 globally in 2023.

Impact of PLI schemes: The Production Linked Incentive ('PLI') schemes across 14 sectors have realised actual investments exceeding INR 2 lakh crore and generated over 12.60 lakh jobs as of September 2025.

Pharmaceutical leadership: Known as the 'pharmacy of the world,' India is the third-largest pharmaceutical industry by volume, meeting roughly 20% of global generics demand.

Electronics manufacturing success: India has emerged as the world's second-largest mobile phone manufacturer. The production value of mobile phones surged nearly 30-fold, from INR 18,000 crore in FY15 to INR 5.45 lakh crore in FY25.



SERVICES

The services sector is estimated to contribute 51.1% to India's nominal GDP. Within the sector, 'Financial, Real Estate and Professional Services' is the largest sub-component, accounting for 21.4% of GDP.

The sector is estimated to achieve a real YoY growth of 9.1% in FY26, accelerating from 7.2% in FY25.

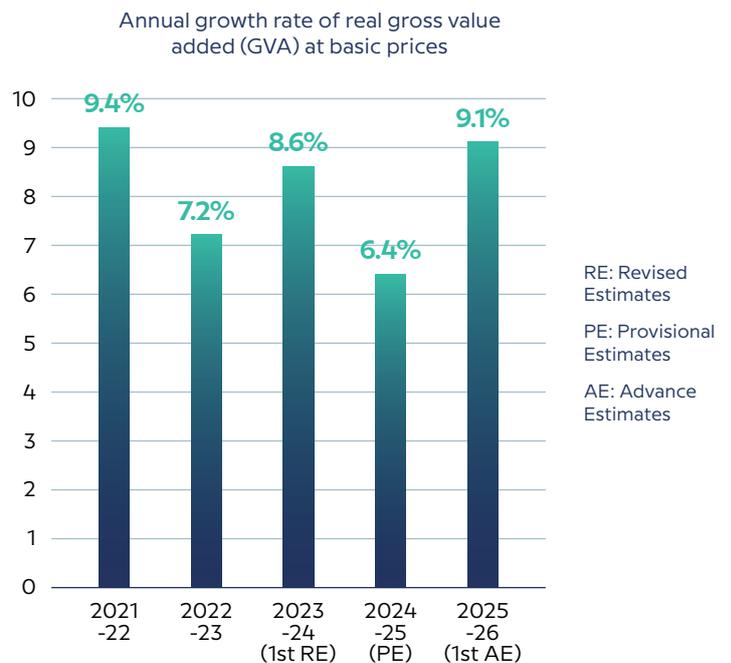
Global export leadership: India is now the world's seventh-largest services exporter, with its share in the global commercial services exports rising from 2% in 2005 to 4.3% in 2024.

Software and business services: Software services remain the anchor of the sector, accounting for over 40% of total services exports. Management and professional consulting services have also seen their share of exports rise to 18.3%.

Technology and AI expansion: India possesses the world's third-largest technology start-up ecosystem, with approximately 32,000 to 35,000 start-ups. The number of active generative AI start-ups increased more than threefold to over 890 by early 2025.

Digital connectivity: Internet subscriptions in India have reached 101.8 crore as of September 2025, supported by a massive decline in wireless data prices.

FDI magnet: Services sector is the largest recipient of foreign investment, accounting for an average of 80.2% of total FDI inflows into India between FY23 and FY25.



ECONOMIC PERFORMANCE

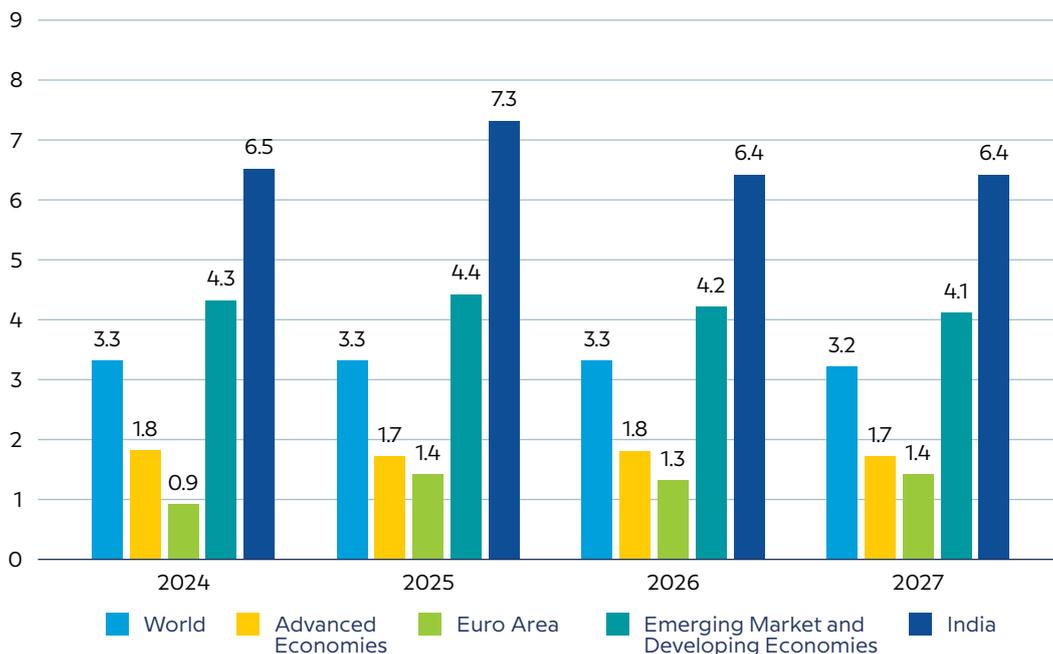
GLOBAL ECONOMY

- For FY2026-27, global growth is projected to remain steady at around 3.3%, broadly in line with 2025. This performance resulted from headwinds from shifting trade policies being offset by tailwinds from surging investment related to technology, including artificial intelligence ('AI'), backed by fiscal and monetary support.
- World trade growth is expected to slow to 2.6% in 2026 and projected to recover to 3.1% in 2027. Global inflation is expected to decline from an estimated 4.1% in 2025 to 3.8% in 2026 and further to 3.4% in 2027.
- Growth projections for major advanced economies ('AE'), i.e. the United States of America (US), UK and Euro area) are revised upward. Among emerging market and developing economies ('EMDE's), growth remains robust, led by India and China.
- Global commodity prices recorded divergent movements. Energy prices have softened, food price index declined for the fourth consecutive month in December 2025. Crude oil prices stayed range-bound despite supply constraints due to the geopolitical tensions. Industrial metal prices surged recently due to supply constraints and tariff-related uncertainties.

INDIAN ECONOMY

- The Indian economy remained resilient in 2025–26, with real GDP growth rising to 7.4%. As per the International Monetary Fund ('IMF'), the growth in India reflects the better-than expected outturn in the third quarter of the year and a strong momentum in the fourth.
- A strong rebound in the manufacturing sector and continued buoyancy in services boosted growth in gross value added ('GVA').
- Domestic demand continues to drive growth in FY26, with private consumption reaching 61.5% of GDP. The strength in consumption reflects a supportive macroeconomic environment, characterised by low inflation, stable employment conditions, and rising real purchasing power.
- Investment activity strengthened in FY26, with GFCF growing by 7.8% and its share remaining steady at 30% of GDP.
- Gross FDI inflows have remained resilient, supported by equity investments and greenfield projects, while portfolio flows have been volatile, reflecting global financial conditions.
- However, the Balance of Payments ('BOP') deficit, coupled with market uncertainty over the outcome of the US trade deal has exerted pressure on the Indian Rupee, causing it to weaken.

World Economic Outlook Projections
(Percentage change - year over year)



International Monetary Fund - World Economic Outlook Update, January 2026

ECONOMIC OUTLOOK

The global economy remains dim over the medium term, with downside risks dominating. Inflation across economies has trended downward, and monetary policies are expected to become more accommodative and supportive of growth. However, certain key risks like failure of the AI boom and the protraction of trade conflicts would further weaken the global outlook.

For India, these conditions may result in slower growth in key trading partners and tariff-induced disruptions in trade and capital flows may weigh heavily on exports and investor sentiment. Ongoing US negotiations, once concluded, may bring certainty on the external front.

Against a backdrop of a fragile and divergent global outlook, the current economic survey assesses India as 'an economy on a stable footing.'

We discuss some relevant indicators.

Exports

Total exports reached USD 825.3 billion in FY25 and USD 418.5 billion in H1 FY26 driven by a strong growth in services exports.

Despite heightened tariffs imposed by the United States, merchandise exports grew by 2.4% (April–December 2025), while non-petroleum, non-gems and jewellery exports increased by 6% YoY, signalling sustained strength in India's core export basket.

The exports of petroleum products declined by 24.7% YoY, amid softer crude oil prices.

Imports

Merchandise imports increased by 6.3% YoY, amounting to USD 721.2 billion, primarily driven by a rise in non-petroleum, non-gems and jewellery imports, which increased to USD 446.5 billion from USD 421 billion in FY24.

Imports of electronic components, telecom instruments, and computer hardware also experienced significant growth.

Fiscal revenue

The gross tax revenue collection has progressed robustly during the year with direct tax collections reaching nearly 53% of the budgeted annual target (as of November 2025). Indirect tax collections also remained strong despite lower inflation and import volatility, with gross GST collections recording multiple all-time highs during the year.

Forex reserves

Forex reserves (USD 701.4 billion as of 16 January 2026) cover more than 11 months of its imports and approximately 94% of the external debt outstanding as of the end of September 2025.

Foreign direct investments ('FDI')

In April–November 2025, gross FDI inflows strengthened further to USD 64.7 billion, compared with USD 55.8 billion in April–November 2024. The magnitude of inflows during the first eight months of the year highlights sustained investor confidence despite a subdued global environment and reflects the underlying strength of India's digital economy, as well



as the continued policy emphasis on manufacturing and infrastructure.

Money market and financial intermediation

Reflecting the strength of India's financial ecosystem, the primary markets in FY26 (up to December 2025) remained resilient and vibrant, leading the world in initial public offer ('IPO') issuances. This strong performance was underpinned by sound macroeconomic fundamentals, robust investor participation and the continued finetuning of regulatory frameworks by SEBI.

India's primary markets continued to attract both domestic and international investors, reinforcing the country's position as a key driver of global capital formation.

India's primary markets have been instrumental in channelising savings into productive investments, mobilising a total of INR 53 lakh crore through equity and debt issuances.

IPO volumes in FY26 (up to December 2025) were 20% higher than FY25, and the amount mobilised was 10% higher than the corresponding period of FY25.

Future-ready digital infrastructure

India's telecom sector has undergone a significant transformation, driven by initiatives such as 5G deployment, 6G research, BharatNet, and Digital Bharat Nidhi, and is advancing toward self-reliance, enhanced security, and global leadership.

The sector expanded rapidly over the last decade, accompanied by a sustained improvement in tele-density from 75.23% to 86.76%.

Key developments include:

- Nationwide 5G rollout
- Advances in 5G/6G Innovation
- Rural Connectivity Expansion
- Strengthening Domestic Telecom Manufacturing
- R&D and Technology Development Support
- Citizen-Centric and Security Measures
- Efficient Infrastructure and Spectrum Management



OUR PERSPECTIVE

HOW TO READ THE
UNION BUDGET 2026-27
& BOARDROOM ACTION
AGENDA

A series of thin, light blue wavy lines that flow from the left side of the page towards the right, creating a sense of movement and depth. The lines are more densely packed on the left and become more sparse towards the right.

How to Read This Budget

The Union Budget 2026–27 should not be read as a conventional, rate-driven Budget. It is best understood as a structural and directional Budget, where the real impact will emerge through implementation discipline, transition management and medium-term alignment rather than immediate tax arbitrage.

Three signals are unmistakable:

- Macroeconomic stability with fiscal consolidation as a stated priority.
- Public capital expenditure as the central growth lever, with private investment crowding-in.
- Tax reform through simplification and certainty, not rate changes.

The absence of headline corporate tax rate changes is deliberate. The Budget's relevance lies in how businesses prepare for a new tax law framework, governance expectations and compliance architecture over the next 3–5 years.

Governance, ESG & Board-Level Signals

The Budget reinforces a clear shift in expectations from regulators and policymakers—governance quality, tax discipline and sustainability are no longer standalone themes. They are increasingly integrated with capital allocation, enterprise risk management and long-term value creation.

Key signals for boards and leadership:

- Tax strategy is now a governance and risk issue, not a backend compliance function.
- ESG considerations intersect directly with funding decisions, capex planning and disclosures.
- Predictability and trust-based compliance reward organisations with strong internal controls.

Boards are expected to demonstrate institutional readiness—not merely compliance—across tax, fiscal and sustainability dimensions.

Strategic Action Agenda

For Boards

- Reassess long-term capital allocation in light of sustained infrastructure-led public investment.

- Strengthen oversight of tax positions, legacy disputes and contingent liabilities.
- Ensure early preparedness for transition to the new Income-tax law framework.
- Align growth strategy with sustainability, compliance quality and risk appetite.

For Audit Committees

- Evaluate readiness for the new Income-tax law, including systems, documentation and controls.
- Review GST and direct tax exposure, particularly data integrity and reconciliations.
- Monitor dispute resolution, provisioning and litigation trends.
- Oversee strengthening of tax governance and internal control frameworks.

For CFOs and Senior Finance Leadership

- Initiate structured transition planning for tax law changes impacting FY 2026–27 onwards.
- Assess working capital and cash flow implications from compliance, refunds and reconciliations.
- Align capex, treasury and funding strategies with sectoral and infrastructure priorities.
- Build internal capability for higher disclosure standards and audit scrutiny.

For Finance Professionals and Practitioners

- Prepare for increased advisory demand around tax transition, restructuring and governance.
- Focus on documentation, audit readiness and defensible tax positions.
- Track evolving rules, notifications and administrative guidance closely.
- Support clients in translating policy intent into compliant operating models.

Near-Term Focus: Next 90–180 Days

- Conduct an internal impact assessment of the new Income-tax law.
- Identify transition risks across tax, systems, contracts and structures
- Review group entities, funding arrangements and cross-border positions.
- Enhance board and audit committee reporting on tax and compliance matters.

Closing Perspective

Union Budget 2026–27 underscores India's commitment to policy stability, fiscal discipline and long-term growth. For corporate India, the opportunity lies not in chasing incentives, but in aligning governance, capital and compliance frameworks with the direction the Budget sets.

Those who prepare early-by strengthening governance, investing in systems and embedding tax discipline-will be best positioned to convert stability into sustainable advantage.

We would like to acknowledge the contribution and efforts of the budget team:

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