Frequently Asked Questions on Union Budget 2026-27

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Finance Bill, 2026

Prepared by **72Wealth** (a brand of Pro72 Services Pvt Ltd, ARN-128181)

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1. What is the broad theme of Budget 2026-27?

The Union Budget 2026-27 presents India's journey towards "Viksit Bharat" with a focus on:

- Sustained economic growth of around 7%
- Moderate inflation and financial stability
- High public investment in infrastructure and social sectors
- Continued structural reforms in taxation, financial markets and ease of doing business

The Budget articulates "Action over Ambivalence, Reform over Rhetoric, People over Populism", with special emphasis on youth, the poor and the under-served.

2. How is the government balancing growth and fiscal discipline?

Key fiscal metrics for FY 2026-27 (Budget Estimates):

- Fiscal deficit: 4.3% of GDP (vs. 4.4% in 2025-26 Revised Estimates).
- Central Government debt: projected at 55.6% of GDP, with a medium-term objective of ~50±1% by 2030.

This reflects a mix of growth-supportive spending and gradual deficit reduction.

3. How is the government's rupee raised and used?

Rupee Comes From (approximate shares):

- Income Tax: 21%
- Corporation Tax: 18%
- GST and other taxes: 15%
- Customs: 4%
- Union Excise Duties: 6%
- Non-tax revenues: 10%

- Non-debt capital receipts: 2%
- Borrowings and liabilities: 24%

Rupee Goes To:

- States' share of taxes: 22%
- Finance Commission & other transfers: 7%
- Centrally Sponsored Schemes: 8%
- Central Sector Schemes: 17%
- Major subsidies: 6%
- Interest payments: 20%
- Defence: 11%
- Civil pension: 2%
- Other expenditure: 7%

This indicates significant outlays towards states, debt servicing, defence and development schemes.

4. What has changed in income-tax filing timelines and revised returns?

Under the Income-tax Act, 1961:

Due dates for filing original returns:

- 31 July: Most salaried and non-audit cases (ITR-1/2).
- 31 August: Non-audit business cases and specified trusts.
- 31 October: Audit cases and companies.
- 30 November: Assesses requiring transfer-pricing reports (section 92E).

Revised return: A return filed under section 139(1) or section 139(4) can now be revised up to the end of the assessment year (for example, up to 31 March 2027 for AY 2026-27), or before completion of assessment, whichever is earlier.

- If the revised return is filed very late (between 9 and 12 months after year-end), a fee is payable:
    - ₹1,000 if total income ≤ ₹5 lakh;
    - ₹5,000 in other cases.

The basic exemption limits, slab rates and surcharge structure for FY 2025-26 (AY 2026-27) largely continue, with a separate concessional regime available under the new Income-tax Act, 2025.

5. What is an "updated return"?

An updated return is a facility to voluntarily correct past non-reporting or under-reporting of income.

- It can be filed for specified earlier years within a long window (generally up to 48 months from the end of the relevant year), subject to conditions.
- It requires payment of additional income-tax ranging from 25% to 70% of the tax and interest due, depending on how late the filing is.
- Where an updated return is filed after reassessment proceedings have been initiated, an extra 10% is levied on the tax+interest component.

The facility is intended for voluntary compliance, but at a higher cost than filing or revising in time.

6. Is there a special scheme for small foreign assets or foreign income?

Yes. The Finance Bill proposes a Foreign Assets of Small Taxpayers Disclosure Scheme, 2026:

- It covers certain cases of “undisclosed assets located outside India” and “undisclosed foreign income”.
- If the total value of such foreign assets and income does not exceed ₹1 crore:
    - 30% tax on the value of undisclosed foreign assets as on 31 March 2026,
    - 30% tax on undisclosed foreign income, and
    - An additional amount equal to 100% of this tax (effective 60% on the base, before cess/surcharge).
- For some assets acquired from already-taxed Indian income or from income earned while non-resident, but not properly reported in foreign-asset schedules (value not exceeding ₹5 crore), a one-time fee of ₹1 lakh is proposed.

Taxes/fees paid under the Scheme are non-refundable, but income and assets so declared are protected from further tax, penalty or prosecution under the Black Money Act, subject to conditions.

In addition, certain prosecution provisions under the Black Money Act will not apply where non-immovable foreign assets have an aggregate value up to ₹20 lakh (with effect from 1 October 2024).

7. How does the Budget affect trading in shares and derivatives?

Key market-related tax changes include:

- Higher Securities Transaction Tax (STT):
    - Equity futures: STT increased from 0.02% to 0.05%.
    - Equity options: STT increased to 0.15% on premium and 0.15% on exercise (from 0.10% and 0.125% respectively).
- Buybacks:

- Buyback proceeds are to be taxed as capital gains in the hands of shareholders.
- Promoter shareholders will incur an additional buyback-specific tax on such gains, over and above regular capital gains tax, at specified rates depending on type of gain and residency.

These changes primarily affect transaction costs and corporate capital-allocation decisions. Taxation of mutual fund units for investors continues under the applicable mutual fund tax rules.

8. Which sectors receive special policy focus in this Budget?

Key sectoral priorities are:

- **Infrastructure & logistics**: Dedicated freight corridors, new national waterways, coastal cargo schemes, ship-repair ecosystems, high-speed rail corridors and "city economic regions".
- **Manufacturing & MSMEs**: Support for semiconductors (ISM 2.0), electronics, biopharma, construction and infrastructure equipment, chemical parks, integrated textile programmes, container manufacturing, aircraft/defence components, sports goods; equity support via an SME Growth Fund and Self-Reliant India Fund top-up; liquidity via TReDS and related credit guarantees.
- **Services**: Medical value tourism hubs, AYUSH expansion, care-economy skilling, tourism circuits, hospitality, design and AVGC sectors, sports infrastructure; tax-holiday incentives for cloud services delivered through Indian data centres.
- **Agriculture & co-operatives**: Fisheries support, horticulture and high-value crops, animal-husbandry infrastructure, AI-based advisory through AgriStack; enhanced deductions and exemptions for primary co-operative societies and certain federal co-operatives.
- **Energy & critical minerals**: CCUS scheme, concessions for lithium-ion cell manufacturing, extended duty exemptions for nuclear projects, incentives for critical-mineral processing and relief on biogas-blended CNG.

9. Are there changes relevant to overseas travel, remittances or foreign portfolio access?

Yes, several:

- **Overseas tour packages**: TCS rate reduced and standardised at 2%, without any threshold.
- **Education and medical remittances under LRS**: TCS rate reduced from 5% to 2%.
- **Portfolio Investment Scheme**: Certain Persons Resident Outside India (PROIs) are permitted to invest in listed Indian equity through the PIS route.

These affect the cost and compliance of foreign travel and remittances, but do not directly alter the mutual fund tax regime.

10. What does all this mean for my mutual fund investments?

Budget 2026-27 and the Finance Bill, 2026 define the economic and regulatory environment in which your investments operate. There is no direct impact on your mutual fund investments and only an indirect impact on the companies whose shares are held by the different schemes in your portfolios. In the short term there may be volatility in markets but in the lang term the budget proposals on infrastructure expenditure and capex will be beneficial for the long term growth of the economy and will act as a multipler

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