Current Affairs - 02 February 2026

HIGHLIGHTS OF UNION BUDGET 2026-27 – I

Union Minister for Finance presented the **Union Budget 2026–27** in Parliament, the first to be prepared in **Kartavya Bhawan**.

The Budget is anchored around **three “kartavyas” (duties)**. The first focuses on **accelerating and sustaining economic growth** by boosting productivity, competitiveness, and resilience amid global uncertainties.

The second aims to **fulfil people’s aspirations** by strengthening their capacities and making them active partners in India’s prosperity.

The third, aligned with the vision of **Sabka Saath, Sabka Vikas**, seeks to ensure **inclusive access to resources, amenities, and opportunities** so that every family, region, and sector can meaningfully participate in growth.

Union Budget 2026–27: Key Fiscal Estimates

- **Receipts and Expenditure**
    - Non-debt receipts are estimated at ₹36.5 lakh crore.
    - Total expenditure is projected at ₹53.5 lakh crore.
    - Centre’s net tax receipts are estimated at ₹28.7 lakh crore.
- **Borrowings**
    - Gross market borrowings are pegged at ₹17.2 lakh crore.
    - Net market borrowings from dated securities are estimated at ₹11.7 lakh crore.
- **Revised Estimates for 2025–26**
    - Non-debt receipts stand at ₹34 lakh crore, with net tax receipts of ₹26.7 lakh crore. Total expenditure is revised to ₹49.6 lakh crore, including capital expenditure of about ₹11 lakh crore.
- **Fiscal Deficit**
    - Fiscal deficit (BE 2026–27) is estimated at 4.3% of GDP.
    - Fiscal deficit (RE 2025–26) remains at 4.4% of GDP, unchanged from the Budget Estimate.

- **Debt Position**
  - Debt-to-GDP ratio is projected to decline to 55.6% in BE 2026–27, from 56.1% in RE 2025–26, indicating gradual fiscal consolidation.

Direct Taxes: Key Proposals in Union Budget 2026–27

- **New Income Tax Framework**
  - The New Income Tax Act, 2025 will come into force from April 2026.
  - Simplified Income Tax Rules and Forms to be notified shortly.
  - Redesigned tax forms to enable easy compliance for ordinary taxpayers.
- **Relief and Ease for Taxpayers**
  - **TCS Rationalisation**- Overseas tour programme packages: TCS reduced to 2% (from 5%–20%), with no amount threshold.
    - Liberalized Remittance Scheme (LRS) for education and medical purposes: TCS reduced from 5% to 2%.
  - **TDS Simplification**
    - Manpower supply services brought under TDS provisions applicable to contractors.
    - TDS rate fixed at 1% or 2%, benefiting labour-intensive sectors.
    - Automated, rule-based process introduced for small taxpayers to obtain lower or nil TDS certificates.
  - **Return Filing Reforms**
    - Time limit for revising returns extended from 31 December to 31 March, with nominal fee.
    - Staggered timelines for filing income tax returns to ease compliance.
  - **Foreign Asset Disclosure**
    - One-time, 6-month disclosure scheme for small taxpayers such as students, young professionals, tech employees, and relocated NRIs to declare overseas income or assets below a specified threshold.

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UNION BUDGET 2026 BETS BIG ON INDUSTRIAL GROWTH

- The Union Budget 2026–27 is presented during a rare phase of strong **economy** performance marked by high **growth** and relatively low **inflation**.
- India's rise to become the fourth-largest global economy reinforces optimism, yet underlying vulnerabilities remain.
- Geopolitical tensions, tariff wars, and supply-chain disruptions pose risks to long-term expansion.
- Against this backdrop, the Budget seeks to balance optimism with realism by maintaining continuity, articulating a long-term vision, and offering selective short-term interventions aimed at sustaining growth and improving **welfare**.

Strategic Push for Manufacturing and Frontier Sectors

- A notable shift in the Budget is its early and explicit focus on **manufacturing**.
- The strategy targets emerging industries, legacy sectors, and **MSMEs**, signalling an intent to broaden the production base beyond services.
- Support for seven strategic sectors, including **semiconductors**, electronics, biopharma, chemicals, capital goods, and textiles, reflects a move beyond earlier incentive-based frameworks toward deeper industrial capability building.
- Enhanced allocations for electronics and the launch of India Semiconductor Mission 2.0 aim to reduce dependence on fragile global supply chains.
- Investments in **logistics**, freight corridors, and container manufacturing strengthen export competitiveness, particularly in a volatile global trade environment.

Contradictions and Policy Surprises

- Despite its coherence in several areas, the Budget presents notable inconsistencies.
- Expectations of substantial revenue from **disinvestment** appear optimistic given repeated shortfalls in previous years.

- A major surprise is the long-term tax exemption for global cloud service providers operating through Indian data centres, raising questions about opportunity costs and revenue foregone.
- The anticipation of job creation in the **services** sector contrasts with trends of automation and artificial intelligence reducing labour absorption, weakening assumptions around **employment**
- The strong push for data centres increases demand for **data** infrastructure but is not matched by a corresponding emphasis on **power** generation, despite the sector's high energy intensity.
- Additionally, the continued silence on exchange rate volatility leaves the issue of the **rupee** unaddressed, despite its macroeconomic significance.

Structural Gaps and Demand Constraints

- While the emphasis on manufacturing is welcome, the absence of a comprehensive industrial **policy** framework risks leaving initiatives fragmented.
- Industrial expansion requires sustained domestic **demand**, yet demand-side measures receive limited attention.
- Shortfalls in effective capital expenditure relative to budgeted targets weaken multiplier effects and undermine assumptions of demand-led expansion.
- Given uncertainty in global markets, domestic income and job growth are critical to sustaining manufacturing momentum.
- Weak **execution** of planned investments and rising prices threaten real purchasing power, potentially constraining consumption.
- Addressing these gaps is essential to building long-term **resilience** and ensuring that growth translates into broad-based gains.

Conclusion

- The Union Budget 2026–27 reflects an attempt to balance ambition with caution.
- It reinforces infrastructure-led **investment**, prioritises strategic manufacturing, and maintains macroeconomic stability.

BHARAT-VISTAAR

- 'Bharat-VISTAAR'(**Virtually Integrated System to Access Agricultural Resources**) is a multilingual AI tool.
- It shall **integrate** the **AgriStack portals and the ICAR** package on agricultural practices with AI systems.
- **Significance:** It will **enhance farm productivity,** will lead to better farmer decision making and reduce risk through customized advisory support for the farmer

What is AgriStack?

- Agri Stack is the digital foundation being set up by the government to make it easier to bring various **stakeholders together to improve agriculture in India.**
- It enables better outcomes and results for the farmers by **using data and digital services.**
- Agri Stack aims to make it easier for **farmers to get easier access to cheaper credit**, higher-quality farm inputs, localized and specific advice, and more informed and convenient access to markets.
- It also focuses to make it **easier for governments to plan and implement** various farmer and agriculture-focused benefit schemes.

SOVEREIGN GOLD BONDS

- These bonds are government **securities denominated in grams of gold.**
- They are **substitutes for holding physical gold**. Investors have to pay the issue price, and the bonds will be redeemed upon maturity.
- **Issuance:** The bond is **issued by Reserve Bank on behalf of the GOI.**
- **Eligible to invest in the SGBs:**

- The bonds will be **restricted for sale to resident Indian entities,** including individuals, Hindu Undivided Family (HUF), Trusts, Universities and Charitable Institutions.
- **Investment Limits:**
  - The bonds are issued in **denominations of one gram of gold** and in multiples thereof.
  - The **minimum investment** in the **bond shall be one gram,** with a specific maximum subscription limit.
- **Term:** The term of the bond will **be for a period of 8 years,** with an exit option in the 5th, 6th, and 7th years, to be exercised on the interest payment dates.
- Bonds are sold through offices or branches of **Nationalised Banks, Scheduled Private Banks,** Scheduled Foreign Banks, **designated Post Offices, Stock Holding Corporation of India Ltd**. (SHCIL), and the authorised stock exchanges either directly or through their agents.

WHAT IS BASIC CUSTOMS DUTY (BCD)?

- BCD is a type of **tax imposed on goods imported** into India.
- It is **levied on imported items under** the **Customs Act, 1962**. The **tax rate is levied as per** the First Schedule to **Customs Tariff Act, 1975.**

Purpose: To **protect domestic industries** from foreign competition, **regulate trade,** and **generate revenue** for the government.

- BCD is **calculated as a percentage of the value of the imported goods**, determined based on the customs tariff, i.e., it is **fixed based on the ad-valorem.**
- It can significantly impact the total landed cost of the imported items.
- The **Central Government** holds the **power to exempt specific goods** from tax.

Other Types of Custom Duties:

- **Additional Customs Duty:**
    - Additional Customs Duty, also called **Special Countervailing Duty**, is a tax that is applied **to balance subsidies that exporting countries provide to their products**.
    - It helps level the playing field and ensures that domestic producers are not disadvantaged.
- **Countervailing Duty (CVD):**
    - This duty **counters foreign government subsidies on exports.**
    - When foreign producers receive subsidies, they can sell at a lower price, creating unfair competition for local industries. CVD **safeguards local businesses** from this unfair advantage.
- **Special Additional Duty (SAD):**
    - SAD is levied on imports under the Central Excise Act and **applies to the total value, including BCD and CVD.**
    - This duty shields domestic industries by offsetting the impact of low-cost imports.
- **Anti-Dumping Duty:**
    - **When foreign goods** are **sold in India at prices below their value in the exporting country,** anti-dumping duty is applied.
    - This duty prevents unfair pricing practices that could damage domestic industries.
- **Protective Duties:**
    - These duties are designed to **protect local industries from competition** with **cheaper imported goods.** By increasing the cost of imports, protective duties make local products more appealing to consumers.
- **Safeguard Duties:**
    - Imposed under Section 8B of the Customs Tariff Act, safeguard duties are **temporary measures to protect local industries from sudden increases in imports.**

WHAT IS SECURITIES TRANSACTION TAX (STT)?

- It is a **direct tax** levied on the **purchase and sale of securities listed on recognised stock exchanges** in India.
- It is **levied and collected by the Central Government**.
- It is applied **irrespective of the profit or loss made** in the transaction. It is **levied directly on the value of the transaction.**
- STT operates similarly to Tax Deducted at Source (TDS) in that it is **deducted at the time of the transaction itself.**
- The tax is **paid directly to the government through** the **stock exchanges or other intermediaries** involved in the transaction.
- **Introduced through the Finance Act of 2004,** STT was designed **to simplify taxation on securities trading** and **curb tax evasion** in the capital market.
- STT is **governed by the Securities Transaction Tax Act (STT Act),** and STT Act has specifically **listed various taxable securities transaction**s, i.e., transactions on which STT is leviable.
  - Taxable securities **include equities, derivatives, or equity-oriented mutual funds** investment units (excluding commodities and currency).
  - It also includes **unlisted shares sold under an offer for sale to the public included in IPO** and where such shares are **subsequently listed in stock exchanges.**
  - STT is **not applicable to off-market transactions** or to **commodity or currency transactions.**
- The **rate of taxation** is **different for different types of securities.**
- The **government** has the authority to **revise STT rates periodically.**
- **Futures and Options** are **contracts signed by two parties for trading a stock** asset at a **predetermined price at a later date.**

WHAT IS SHE MARTS?

- **SHE (Self-help Entrepreneur) Marts** are planned as **community-owned retail outlets** that will be **set up within cluster-level federations** through **enhanced and innovative finance instruments.**
- It aims to **provide women entrepreneurs** with **better market access, branding opportunities, and sustainable income** avenues, while **strengthening** grassroots institutions such as **self-help groups (SHGs).**
- The proposal **builds on the success of the Lakhpati Didi programme** and signals a policy shift from micro-credit-led livelihoods to structured, women-owned enterprises.
- **SHE Marts are meant to:**
    - Provide **permanent retail points for SHG-made goods.**
    - **Improve direct market access.**
    - Support **value-added and processed products.**
    - Be backed by enhanced and innovative financing instruments.

What is the Lakhpati Didi Programme?

- **Run by the Ministry of Rural Development,** the Lakhpati Didi programme seeks to **support rural women** by **helping members of SHGs start small businesses** and **earn a steady income** of at least **Rs 1 lakh a year.**
- Under this scheme, **women will be trained in various skills,** such as **plumbing, LED bulb making, drone operation and repair**, and tailoring and weaving.
- **After** completing the **training**, women will be **provided with opportunities to earn income** using their skills.
- The programme aims to help them become financially independent**.**