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BUDGET Pulse 2026

Budget Analysis



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1. Overview



Vivek K. Chandy, Joint Managing Partner, JSA Advocates & Solicitors, *“The finance minister’s promise to undertake a comprehensive review of the foreign direct investment regime and align it with the country’s emerging priorities is a step in the right direction. Further, liberalization, coupled with a simpler reporting regime, would go a long way toward enhancing India’s attractiveness to foreign investors. It will also help increase inflows of funds into several untapped sectors and introduce competition among incumbent players. Also, the proposal to permit individual persons resident in India to invest in the Indian stock market through the portfolio scheme and an increase in investment limits will increase the buoyancy of the Indian stock market and will help in bringing back foreign fund flows into equities. While we will have to wait for the fine print, both measures are likely to add to FDI inflows into India”.*



Perspective of **Mr. Amar Gupta**, Joint Managing Partner, JSA Advocates & Solicitors,

“The Union Budget 2026–27 reflects a clear recognition that sustained investment depends not only on fiscal incentives, but equally on predictability, administrative simplicity, and legal certainty. By foregrounding ease of doing business, proportionate enforcement, and a renewed commitment to single-window clearances, the Budget signals a shift from reform as stated intent to reform as institutional delivery.

This shift is particularly significant for sectors such as manufacturing, infrastructure, energy, and technology, where regulatory overlap and approval delays have historically resulted in cost overruns and disputes.

As India deepens its global integration through free trade agreements, competitiveness will increasingly be tested at the operational level, in the efficiency of approvals, the management of compliance, and the enforceability of contracts. In that context, delivery will matter as much as design, and the global investment community will be watching closely.”

2. Direct Tax



Perspective of **Kumarmanglam Vijay**, Partner and Head Of Practice - Direct Tax, JSA Advocates & Solicitors,

Overview

“With corporate tax as well as individual taxation already rationalised, it seems that the Government will focus on providing incentives to key manufacturing initiatives that align with its strategic autonomy and global alignment priorities. I see more support, whether by policy initiatives, tax incentives or subsidies coming to energy, defence technology, critical minerals, shipping and import substitution in critical areas.”

“Reduction of TCS on education and medical purposes, as well as overseas tours to 2% is welcome. Significant steps proposed to make compliance easier for taxpayers with a focus on ease of

compliance, reducing litigation, decriminalising offences and introducing monetary penalties and fees instead of penalties. These will certainly help taxpayers get peace of mind and enhance ease if doing business.

“Tax holiday is provided to foreign companies providing cloud services until 2047. This would give impetus to data centre business in India.”

“Direct tax measures presented by the Finance Minister in the Budget are on expected lines with no changes in tax rates except a marginal increase in STT. The focus is on ease of compliance and reducing the points of friction with the taxpayers. Move towards decriminalising the compliance and imposing fines is welcome. A big change is to provide 15.5% margin for IT and ITES exports upto 3000 crores under safe harbour provisions is likely to give a major boost to the Entrepreneurs wanting to set up IT services and GCCs. With this Government has made it clear that it would like India to retain its competitiveness in the world. Another anomaly sought to be amended is to retain the capital gains treatment to gains in buy back of shares.”

3. Indirect Tax and Customs



Perspective of Manish Mishra, Partner & Head - Indirect Tax, JSA Advocates & Solicitors,

Overview

“A growth-driven budget that accelerates India’s economic momentum by energising capital markets, attracting foreign investment, and developing vibrant city-level economic centres. It champions MSMEs as engines of employment and innovation, while extending strong support to the sports-goods ecosystem, spanning both manufacturing and R&D through synergy with the Khelo India mission. Simultaneously, it nurtures scientific curiosity by proposing a dedicated national telescope centre for physics and astronomy, and boosts cultural tourism by developing 15 archaeological sites into world-class heritage destinations.

Together with measures to broaden the GST base, this budget reinforces the foundational strength of India’s economy and sets the stage for long-term, sustainable growth.”

View on Specific Proposals

“Customs duties exemptions proposed to be removed on items of goods manufactured in India and having negligible imports. This will encourage import substitution and boost local manufacturing.”

“The time period for export of final products from 6 months to a year for leather and textiles will be a boon for the sector.”

“Exemption on Lithium-ion batteries for BESS projects is expected to cater to a long-standing demand of the sector and reduce the tax burden on this critical sector. “

“Reduction of customs duty on aircraft parts for the MRO is expected to give an impetus to the MRO sector.”

“Goods imported for personal use are proposed to be taxed at 10 per cent instead of 20 percent leading to relief for many.”

“Advance rulings of customs to be binding for 5 years instead of the earlier 3 years, leading to a greater certainty for businesses and reduced litigation.”

“Simplification of procedures for import and export of goods is likely to result in speedier clearances and ease of operation for businesses. While measures have been announced to allow eligible SEZ manufacturers to sell to DTA at concessional duty rates, there is no mention of DESH bill for overhaul of the SEZ act to align it with GST and Customs laws.”

4. AI, Tech and ITes



Perspective of Probir Roy, Partner, JSA Advocates & Solicitors, *“It is Unlike the big headline announcements, the Finance Minister, in the Budget speech, unveiled Bharat-VISTAAR, a multilingual AI platform that integrates AgriStack and ICAR resources to uplift the Indian agriculture sector. This initiative aims to empower farmers, and promote more sustainable and resilient agricultural practices, by enabling data-driven decisions, and enhancing farm productivity. In parallel, the Finance Minister also announced a high-level Education to Employment and Enterprise Committee to evaluate how emerging technologies, including AI, are reshaping jobs and skills, and to recommend measures that strengthen employment, skill development, and growth in the services sector. It will be interesting to follow the committee’s composition, functioning, and recommendations as it tackles these critical challenges.*



Perspective of Kumarmanglam Vijay, Partner and Head Of Practice - Direct Tax, JSA Advocates & Solicitors,

“Arms-length margin of 15.5 % on iTES services under safe harbour to be provided by companies and GCCs operating in India would greatly enhance certainty and overcome major transfer pricing litigation.”



Perspective of Raj Ramachandran, Partner, JSA Advocates & Solicitors, *“The Budget 2026 proposes consolidation of IT-enabled services, knowledge process outsourcing (KPO), and services and contract R&D linked to software development into a single category of ‘Information Technology Services’. Being covered under a common safe harbour framework will help to simplify compliances and taxes for the sector.”*



Perspective of Rupinder Malik, Partner, JSA Advocates & Solicitors, *“Budget 2026 reflects a strategic recognition of AI and data centres as core economic infrastructure. Incentives such as tax holidays, capex-linked subsidies, and customs duty relief are welcome and should help attract long-term capital. The focus now must be on execution - ensuring these measures translate into scalable, energy-efficient, and globally competitive digital ecosystems.”*

5. Corporates and FDI



Sidharth Shankar, Partner, JSA Advocates & Solicitors, "This is a huge services budget. Standing committee on services- first time ever; clear target of 10 per cent of the world's global services hub; educational hub; tax reforms focusing on the services sector- leading to a big employment generator and data centres with zero tax leeway."



Perspective of Lalit Kumar, Partner, JSA Advocates & Solicitors, *"Good news for FDI. Some amendments will be made to Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 though not mentioned what those amendments are, but they will be to further liberalise FDI, which has been the course for this government."*

"The person resident outside India in their individual capacity will be allowed to invest directly in listed securities through the FPI route. They are put on the same platform as other FDI. India's FDI has seen an impact with slowing down of FDI in the last year, so any step to increase FDI flow is good."



Perspective of Rishabh Gupta, Partner, JSA Advocates & Solicitors, *"While not elaborated, the FM proposed that the FEMA NDI Rules will be overhauled to make them investor-friendly. While the details are awaited, if done properly, this would be huge news for FDI into the country. The weakened and underperforming Rupee would need FDI as a strong pillar to punch at its weight, and this reform would be critical to guarantee overseas fund flows."*

6. Corporate Transactions



Perspective of Lalit Kumar, Partner, JSA Advocates & Solicitors, "Buy-back tax is impacted, all types of shareholders will be taxed as capital gains. Not good news for promoters as they will be charged higher buy back tax, which is not good as all promoters are treated as if they were circumventing tax."



Perspective of Manvinder Singh, Partner, JSA Advocates & Solicitors, *"The Finance Bill, 2026 proposes to restore the taxation of share buybacks into the capital gains framework by correcting an unintended anomaly introduced in October 2024, where even the original investment on shares was taxed as income. This change brings much-needed fairness and once again positions buybacks as a legitimate mechanism for return of capital."*

Background Info:

When a company buys back its own shares, the amount paid to shareholders generally includes two parts viz. return of the money originally invested, and any extra amount (profit or premium)

earned on that investment. Over the years, tax laws have changed multiple times on how these buyback proceeds are taxed—sometimes treating them like dividend income, and at other times like capital gains.

From October 2024, the law treated the entire buyback amount paid by a company as dividend income in the hands of the shareholder. As a result, even the shareholder's original investment was taxed as income, which created an unintended and unfair outcome. The Finance Bill, 2026 proposes to fix this issue. It provides that amounts received on buyback of shares will once again be treated as capital gains. This means that the original investment (cost of shares) will not be taxed, and only the actual gain will be subject to tax, similar to a sale of shares. With this correction, share buybacks will once again become a viable and tax-efficient method for companies to return capital to shareholders, alongside dividends.

7. Critical Minerals and Rare Earth Metals



Perspective of Ashish Suman, Partner JSA Advocates & Solicitors, *“The Budget has once again underscored its commitment to manufacturing by focusing on productivity, capacity building, and resilience amid global volatility, while advancing the vision of sabka saath, sabka vikas. A key highlight is the proposal to establish rare earth mineral corridors in Odisha, Kerala, and Tamil Nadu states*

rich in rare earth magnet minerals aimed at strengthening India's global position, boosting employment, and attracting private investment. While the framework is awaited, the Economic Survey indicates a PPP-led, system-level market-building approach rather than a purely transaction-driven model.”



Perspective of Vishnu Sudarsan, Partner - JSA Advocates and Solicitors, Union Budget proposes for mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to establish dedicated rare earth corridors for promoting mining, processing, research and manufacturing. But the Union Budget falls short of giving a footprint of operationalising such corridors.

Enhancing, securing and fostering India's rare earths corridor demands coordinated legal, policy, fiscal, regulatory and administrative efforts. Success hinges on four interlocking reforms:

1. Removing monazite (and beach sand minerals) from the purview of Atomic Energy Act. Simultaneously, allow private and joint-venture mining, processing under strict licensing and radiation controls, with mandatory government custody of thorium by-products.
2. Introduction of a new chapter to the MMDR Act. The existing framework needs a distinct "critical and strategic minerals" category with longer tenures, accelerated allocation, and royalty structures that reward downstream processing over raw extraction.
3. CRZ and EIA rules must recognize rare earth corridors as strategic infrastructure, enabling controlled coastal mining through project-specific approvals, continuous monitoring, and mandatory remediation. Environmental protection and strategic security are not contradictory—the law must reflect both.

4. SEZ-style incentives, GST and duty rationalization, and export controls should prioritize domestic processing and magnet manufacturing. Export controls must discourage unprocessed rare earth exports while promoting value-added products.

Additionally, reforms require coordinated Centre–State efforts to ensure both the regulatory and operational administration is not working at cross-purposes, be it in terms of land acquisition, community benefit-sharing, taxation, or business facilitation. Such an integrated approach will bolster investor confidence and ensure project viability.

8. Bio Pharma



Perspective of Sidharrth Shankar, Partner, JSA, *"The launch of Biopharma SHAKTI marks a decisive push to position India as a global hub for biologics and biosimilars, aligning healthcare needs with manufacturing scale, innovation, and global standards. The focus is on building a full-stack biopharma ecosystem from research and education to clinical trials and faster regulatory approvals."*



Perspective of Prakriti Jaiswal, Partner, JSA Advocates & Solicitors, *"The Union Budget's recognition of BioPharma as a frontier sector marks a decisive step toward BioPharma Shakti. Upgraded clinical trial infrastructure is set to significantly shorten the journey from lab to market, reinforcing India's ambition to emerge as a trusted global biopharma powerhouse. Anticipating this direction, the New Drugs and Clinical Trials (Amendment) Rules, 2026 had already reduced the review period for applications seeking permission to manufacture new or investigational drugs for clinical trials, as well as for conducting bioavailability and bioequivalence studies, from 90 days to 45 days."*



Perspective of Raj Ramachandran, Partner, JSA Advocates & Solicitors, *"Biopharma manufacturing is all set to get a boost, with an outlay of INR 10,000 crores proposed in the budget 2026. The global Biopharmaceutical market is expected to experience significant growth and is projected to rise from approximately 450 billion USD to 720 billion in 2023–2026 to over 1 trillion in the early 2030s. Biotech drugmakers were expecting a positive boost from the budget 2026, and the announcement, with due implementation, should provide the much-needed push to the sector given its robust growth potential."*



Perspective of Rishabh Gupta, Partner, JSA Advocates & Solicitors, *"Biopharma manufacturing is all set to get a boost, with an outlay of INR 10,000 crores proposed in the budget 2026. The global Biopharmaceutical market is expected to experience significant growth and is projected to rise from approximately 450 billion USD to 720 billion in 2023–2026 to over 1 trillion in the early 2030s. Biotech drugmakers were expecting a positive boost from the budget 2026, and the announcement, with due implementation, should provide the much-needed push to the sector given its robust growth potential."*

9. SME & MSME



Perspective of Rajul Bohra, Partner, JSA Advocates & Solicitors, *“Budget 2026 allocates ₹10,000 crore for growth-stage SMEs and introduces a national program to rejuvenate 200 legacy industry clusters, modernise outdated technology, and restore job-rich manufacturing zones. Gujarat has some of India’s largest traditional clusters—textiles, ceramics, engineering, pharma, and chemicals. This nationwide revival is expected to directly benefit Gujarat’s existing cluster-based industries by improving competitiveness, technology, and employment”*



Perspective of Kumarmanglam Vijay, Partner and Head Of Practice - Direct Tax, JSA Advocates & Solicitors, *“Governments’ focus on rejuvenating industrial clusters, and supporting MsMEs will significantly augment the manufacturing sectors and provide impetus to employment. Growth to shift to non-metro cities and MSMEs, which will play a larger role in manufacturing and employment going forward.”*



Perspective of Rishabh Gupta, Partner, JSA Advocates & Solicitors, *“The announcement of an SME Growth Fund and the supplement funding for the India Growth funds, such as the Self-Reliant India fund, which works as Fund of Funds, will create an outsize impact on MSME funding. Funds of Funds have a multiplier effect as they provide balance sheet support and derisking to funds in this space. While a good step, the implementation will be key as past Fund of Funds have fallen short of their proposed impact due to long or delayed evaluation and drawdown cycles.”*

10. Infrastructure Overview



Perspective of Ashish Suman, Partner, JSA Advocates & Solicitors, *“The Budget 2026-27 places renewed emphasis on strengthening urban infrastructure as a key driver of inclusive and sustainable economic growth, with a focused thrust on Tier-II and Tier-III cities, including temple towns. Recognising the need for equitable and holistic development, the Government has announced an enhanced capital allocation of INR 12.2 lakh crore towards the creation of city-specific economic regions, supported by outcome-oriented plans and calibrated funding over a five-year horizon. These initiatives will be implemented through a competitive, challenge-based framework linked to reform-oriented financing mechanisms, with a view to catalysing private investment and enabling growth across multiple urban clusters. The Budget also proposes the development of high-capacity, environmentally sustainable passenger transport systems through seven high-speed rail corridors as growth connectors between major urban centres from south to north east. Taken together, these measures align with the Government’s broader push to strengthen the manufacturing ecosystem by promoting domestic production of infrastructure-related equipment and systems, thereby deepening local supply chains and generating employment.”*

Perspective of Ashish Suman, Partner, JSA Advocates & Solicitors, “In its continued drive to increase the capability in the infrastructure and manufacturing sector, the Union Budget 26-27 has proposed to introduce an incentive scheme for domestic manufacture of equipment, including tunnel boring machines. This will give impetus to the foreign OEMs to set up capacity in India to bring the best quality of TBMs into India, being a critical tool towards capacity additions in the transport and logistics sector. This decision has been clubbed with the introduction of High Tech Tool Rooms to be set up in 2 locations, and an overall scheme on domestic construction and manufacturing.”

Infrastructure Financing

Perspective of Ashish Suman, Partner, JSA Advocates & Solicitors, “Infrastructure financing has proven to be a major issue when it comes to capital-intensive projects. To remedy this issue the Budget has announced the introduction of an infrastructure risk guarantee fund, which will provide a prudentially calibrated public credit guarantee to private developers. Over the years, private developers in several projects have faced issues of not being able to readily avail finance from banks and financial institutions, and the introduction of this fund will go a long way in ensuring that projects, especially in the social and urban infrastructure sectors, become financially viable.”

Inland Waterways

Perspective of Ashish Suman, Partner, JSA Advocates & Solicitors, “Budget 2026-27 recognises that modes of movement of freight across the country has to be diversified. Keeping this in mind, the Budget has announced the creation of 20 new national waterways over the next 5 years and has launched a coastal cargo promotion scheme to increase the share of inland waterways and coastal shipping from 6 per cent to 12 per cent by 2047. The shift towards movement of freight through waterways will ensure an environmentally sustainable mode of movement of freight, helping in decarbonising the logistics sector while reducing the dependency on roads and the railways sector.”

Infrastructure Manufacturing

Perspective of Ashish Suman, Partner JSA Advocates & Solicitors “In its continued drive to increase the capability in the infrastructure and manufacturing sector, the Union Budget 26-27 has proposed to introduce an incentive scheme for domestic manufacture of equipment’s including tunnel boring machines. This will give impetus to the foreign OEMs to set up capacity in India to bring the best quality of TBMs into India, being a critical tool towards capacity additions in the transport and logistics sector. This decision has been clubbed with the introduction of High Tech Tool Rooms to be set up in 2 locations, and an overall scheme on domestic construction and manufacturing.”

11. Semiconductors



Perspective of Rajul Bohra, Partner, JSA Advocates & Solicitors, *“Welcoming the initiative of ISM 2.0 for producing equipment and materials, designing full stack, Indian IP and fortifying supply chains. This was much needed and expected move from the Govt. Industry-led research and training centres to develop technology and a skilled workforce are the parallel pillars for semiconductor sector*

growth”

12. Data Centres



Perspective of Lalit Kumar, Partner, JSA Advocates & Solicitors, *“Major announcement for data centre for tax holiday till 2047 provided services are provided in India. This is massive for boosting investment in data centre infrastructure.”*



Perspective of Soumitra Majumdar, Partner, JSA Advocates & Solicitors, *“The benefits extended to data centres are very timely and in sync with bolstering the data economy. Further, this budgetary support for the data centre sector should also have immense multiplier benefits for India’s renewable energy plans as well as the Indian banking sector. For attracting the best players to India, we must*

also iron out the little creases that are left in this regulatory landscape. Recognising data- centres as infrastructure and simplifying the regulations for data-centres (including pertaining to data security, privacy and sovereignty), should also push the policy mandate of enhancing India’s renewable energy prowess and penetration. Municipal support in making land acquisitions/ aggregations and building planning more efficient will also fuel this growth. A developed data centre sector will also offer a safe and sound credit opportunity for the domestic banking sector. Developing consistent legal and market practices for balancing the interests of the data- centre developers, the customers and the developers’ creditors should help India maximise its potential of emerging as the global leaders in this space.”



Perspective of Rupinder Malik, Partner, JSA Advocates & Solicitors, *“We have some promising announcements. Among them, I see technology and data centres as an important pillar of India’s next investment cycle. By offering tax certainty and long-term incentives to global players, India is sending a clear message as a trusted global hub for digital infrastructure. The objective is not*

merely to attract capital, but to build resilient supply chains, develop local talent, and ensure that India captures a larger share of the global digital infrastructure value chain.”

13. Capital Markets



Arka Mookerjee, Partner, JSA Advocates & Solicitors, *“The Union Budget represents an interesting opportunity for the Indian economy as a whole. It is clearly a long term vision, where the government is working towards skill development and employment generation, which has low visibility in the short term, but can potentially yield massive demographic dividends The government has eschewed short term populism, by keeping STT high, for futures and options, despite appeals for reduction, but we believe that there is enough in the budget to help a new generation of Indian entrepreneurs.”*

“Buyback has been made an optimal option vs dividend outflow. Infrastructure boost is imminent by expanding the map towards Tier II & III cities as growth centres, which can perhaps be later monetised through INVITs.”



Perspective of Raj Ramachandran, Partner, JSA Advocates & Solicitors, *“The markets have not taken kindly to the budget 2026 announcement, given the quantum of STT increase. STT increase on futures from 0.02% to 0.05%, and on options from 0.1% to 0.15% may have spooked the markets, although perhaps the intent of the Government is to help rationalise growth and avoid undue speculation and leveraging, as well as balance value depth and investor protection.”*

14. Banking



Perspective of Sidharrth Shankar, Partner, JSA Advocates & Solicitors, *“The proposed High-Level Committee on Banking for Viksit Bharat, alongside targeted reforms for NBFCs, signals a forward-looking approach focused on scale, efficiency, financial stability, and alignment with India’s evolving growth priorities”.*

15. Income Tax



Perspective of Raj Ramachandran, Partner, JSA Advocates & Solicitors, *“New Income Tax Act, 2025 will come into effect from April 1, 2026. The rules and forms are to be notified shortly. Steps like the de-criminalisation of offences, retrospective immunity from prosecution for non-disclosure of non-immovable foreign assets, is certainly welcome. Much like various provisions in the Companies Act, 2013 were decriminalised, this move will provide the necessary comfort and boost investments.”.*

16. Employment & Skill Development



Minu Dwivedi, Partner, JSA Advocates & Solicitors, *“Economic anxiety caused due to AI-led disruption needed to be checked. To ensure economic stability and capitalise on India’s demographic dividend, India needs a more robust job creation engine for both its formal and informal workforce. Creation of a dedicated Education to Employment and Enterprise Standing Committee is a progressive and much-needed move to bridge the gap between a growing workforce and available job opportunities, especially amidst the fear of cannibalisation of jobs due to AI.”*

17. Disputes and Arbitration



Sidharth Sethi, Partner, JSA Advocates & Solicitors, *“Although not highlighted in the Budget Speech, the Union Budget 2026–27 reinforced the government’s commitment to judicial modernisation by continuing funding for e-Courts Phase III, even as allocations remained broadly in line with the previous year. Phase III focuses on deepening technology adoption across subordinate courts and aims at creating a digital and paperless Indian Judiciary.*

I personally view these measures as foundational steps towards integrating advanced technologies into the justice system, laying the groundwork for a structured roadmap for future legal tech rollouts. This progression is critical to enabling the ethical, transparent, and responsible use of AI in the legal sector, particularly in areas such as case management, legal research, and judicial administration.

In parallel, sustained support for legal aid and justice delivery mechanisms, including the Legal Aid Defence Counsel System, underscores an emphasis on strengthening last-mile access to justice for vulnerable and underserved communities. Taken together, these measures reflect a calibrated approach that leverages technology to improve efficiency and transparency while ensuring judicial reforms remain inclusive and accessible within India’s evolving legal ecosystem.

Further, the allocation of funds for expansion of the Supreme Court building (more than double of last year’s allocation) along with enhanced budgets for the Arbitration Council of India and the Mediation Council of India, reinforce the government’s intent to strengthen judicial infrastructure and also position India as a hub for alternative dispute resolution.”



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