

UNION BUDGET 2026-27

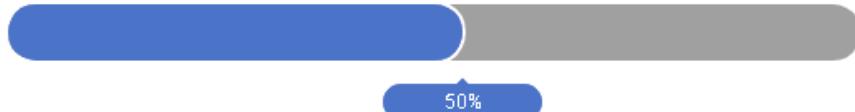
BUDGET BOOK

KEY INSIGHTS: FROM YOUR
TRUSTED ADVISORS



FISCAL MATTERS

Debt-to-GDP Ratio Target 2030



50%

Debt-to-GDP Ratio BE 2026-27



55.6%

Debt-to-GDP Ratio RE 2025-26



56.1%

Fiscal Deficit BE 2025-26



4.4%

Fiscal Deficit RE 2025-26



4.4%

Fiscal Deficit BE 2026-27



4.3%

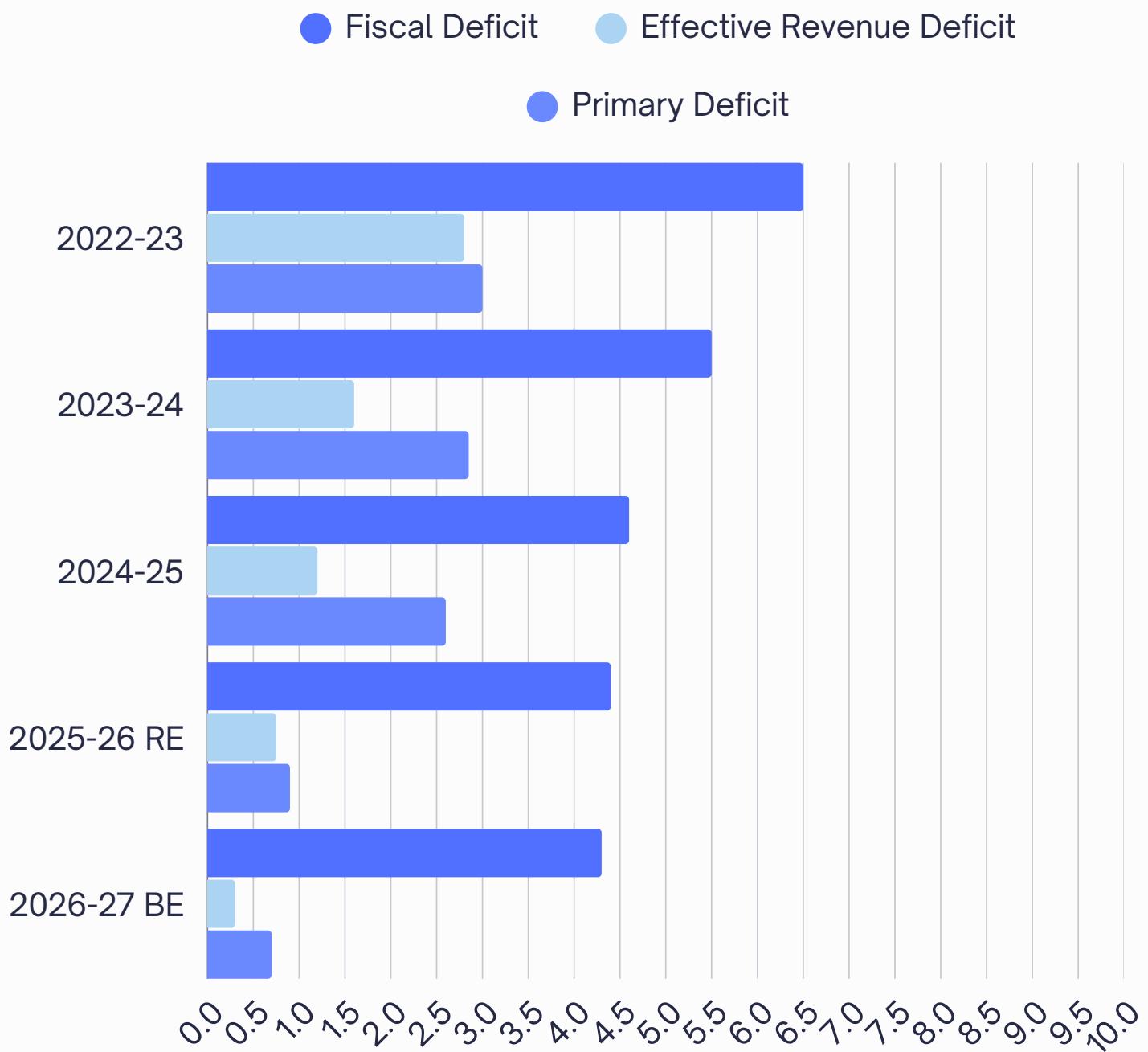
Abbreviations

Budget Estimates (BE)

Revised Estimates (RE)

Central Government will target reaching a debt-to-GDP ratio of 50±1 percent by 2030. ▪ The debt-to-GDP ratio is estimated to be 55.6 percent of GDP in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26. ▪ In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 percent of GDP. In line with the new fiscal prudence path of debt consolidation, the fiscal deficit in BE 2026-27 is estimated to be 4.3 percent of GDP.

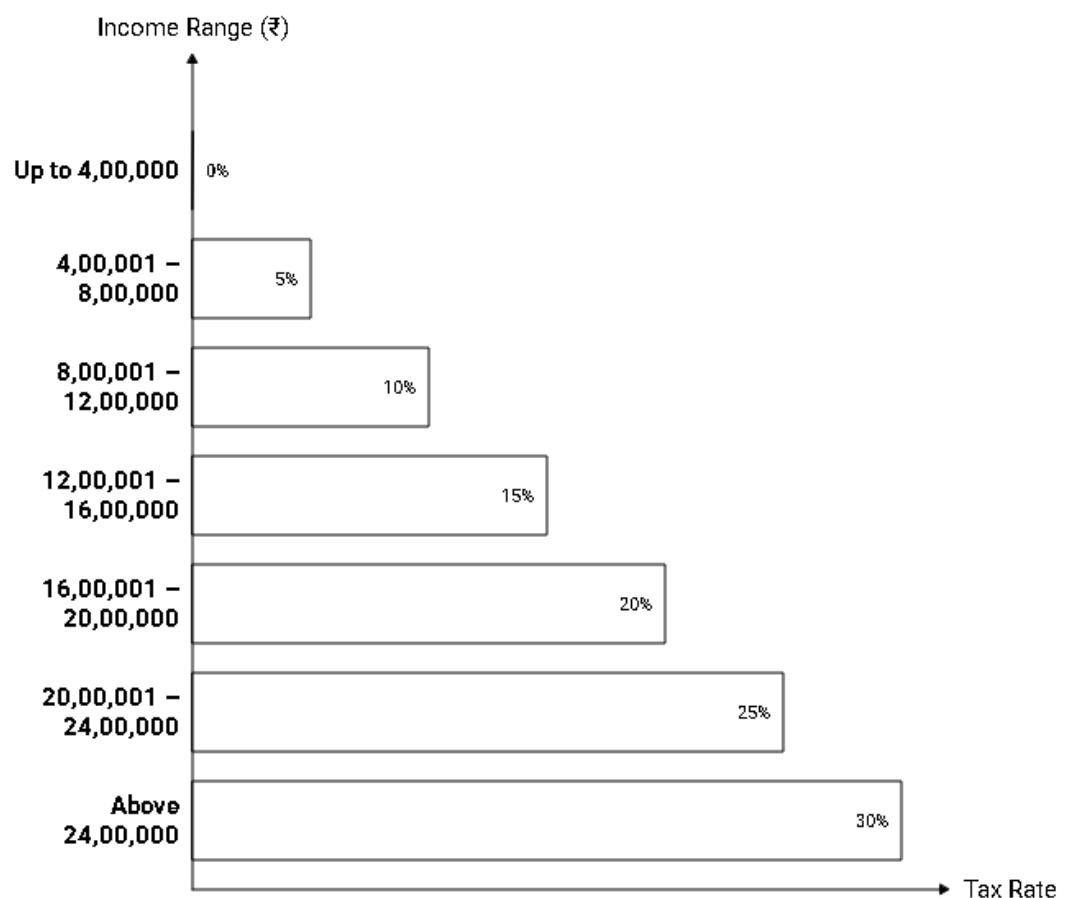
DEFICIT TRENDS



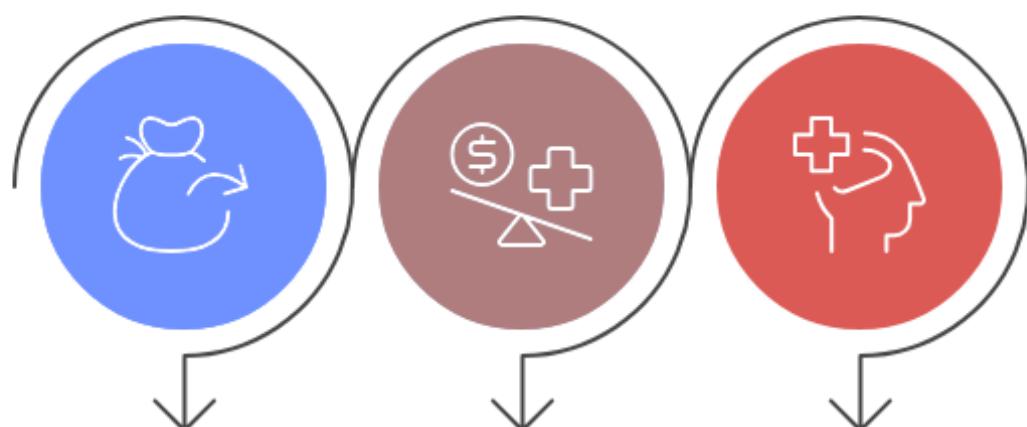
DIRECT TAX REFORMS



Tax Rate Continues



Surcharge & Cess



Surcharge Applicability

Surcharge is applicable for income exceeding ₹50 lakh.

Maximum Surcharge

The maximum surcharge is restricted to 25% in certain situations.

Health & Education Cess

Health and Education Cess remains at a rate of 4%.

Buybacks Now Taxed as Capital Gains

*TY: Tax Year

Particulars	Existing Provisions (up to FY 2025-26)	New Provisions – Non-Promoter (from TY 2026-27)	New Provisions – Promoter (Individual)	New Provisions – Promoter (Company)
Head of income	Dividend income	Capital gains	Capital gains (special regime)	Capital gains (special regime)
Relevant provision	Section 2(40)(f)	Capital gains provisions	Capital gains + additional tax	Capital gains + additional tax
Tax base	Gross buy-back consideration	Net capital gain	Net capital gain	Net capital gain
Deduction of cost of acquisition	✗ Not allowed	✓ Allowed	✓ Allowed	✓ Allowed
Treatment of cost of shares	Recognised separately as capital loss	Adjusted in computation	Adjusted in computation	Adjusted in computation
Applicable tax rate	Slab rate on dividend	Normal capital gains rate	Effective 30%	Effective 22%
Additional tax	✗ Not applicable	✗ Not applicable	✓ Applicable	✓ Applicable

Existing Provisions

New Provisions

₹ 1,000,000
Taxed



Dividend Income



Slab Rate Tax



Variable Tax
Payable



No Cost
Recovery



₹ 400,000 Taxed



Capital Gains



Normal CG Rate



Fixed Tax
Payable



Cost Recovery
Allowed

Penalty vs. Fee: Revised Framework under Audit and SFT Reporting

Section	Nature of Default	Existing Provision (Penalty)	Proposed Provision (Fee)
Section 446	Failure to get accounts audited	Lower of: (i) 0.5% of turnover / gross receipts or (ii) ₹1,50,000	Fee under proposed section 428(c): ₹75,000 or ₹1,50,000 (graded based on period of delay)
Section 447	Failure to furnish report under section 172 (international / specified domestic transactions)	Fixed penalty of ₹1,00,000	Fee under section 428(4): ₹50,000 or ₹1,00,000 (graded based on delay)
Section 454(1)	Failure to furnish Statement of Financial Transactions (SFT) / reportable account	₹500 per day during default	Fee under section 427(3) (₹ 200 Per day during default)
Section 454(2)	Failure to furnish SFT even after notice	₹1,000 per day (no maximum limit)	Penalty retained with maximum cap of ₹1,00,000

Revised Due Dates for Filing Income Tax Returns

(Tax Year 2026-27)

Sl. No.	Category of Assessee	Conditions	Due Date for Filing Return
1	Individuals filing ITR-1 or ITR-2	—	31st July
2	Assessee with income from business/profession	accounts NOT required to be audited	31st August
3	Partner of a firm and Director of Company	where Firm accounts NOT required to be audited	31st August
4	Any other assessee	(Not covered under above categories AND NOT required to be audited)	31st July
5	Company	Provisions of section 92E Not apply	31st October
6	Company	Provisions of section 92E apply	30th November
7	Assessee (other than a company)	Accounts required to be audited under the Income-tax Act or any other law	31st October
8	Partner of a firm	where Firm accounts required to be audited	31st October

MAT: Rate Reduction and Credit Set-off Mechanism

01

MAT Rate and Credit Changes

MAT rate decreased from 15% to 14%.

02

MAT as Final Tax

MAT becomes final tax, no new MAT credit.

03

Domestic Companies

MAT credit usable in new regime, limited to 25%.

04

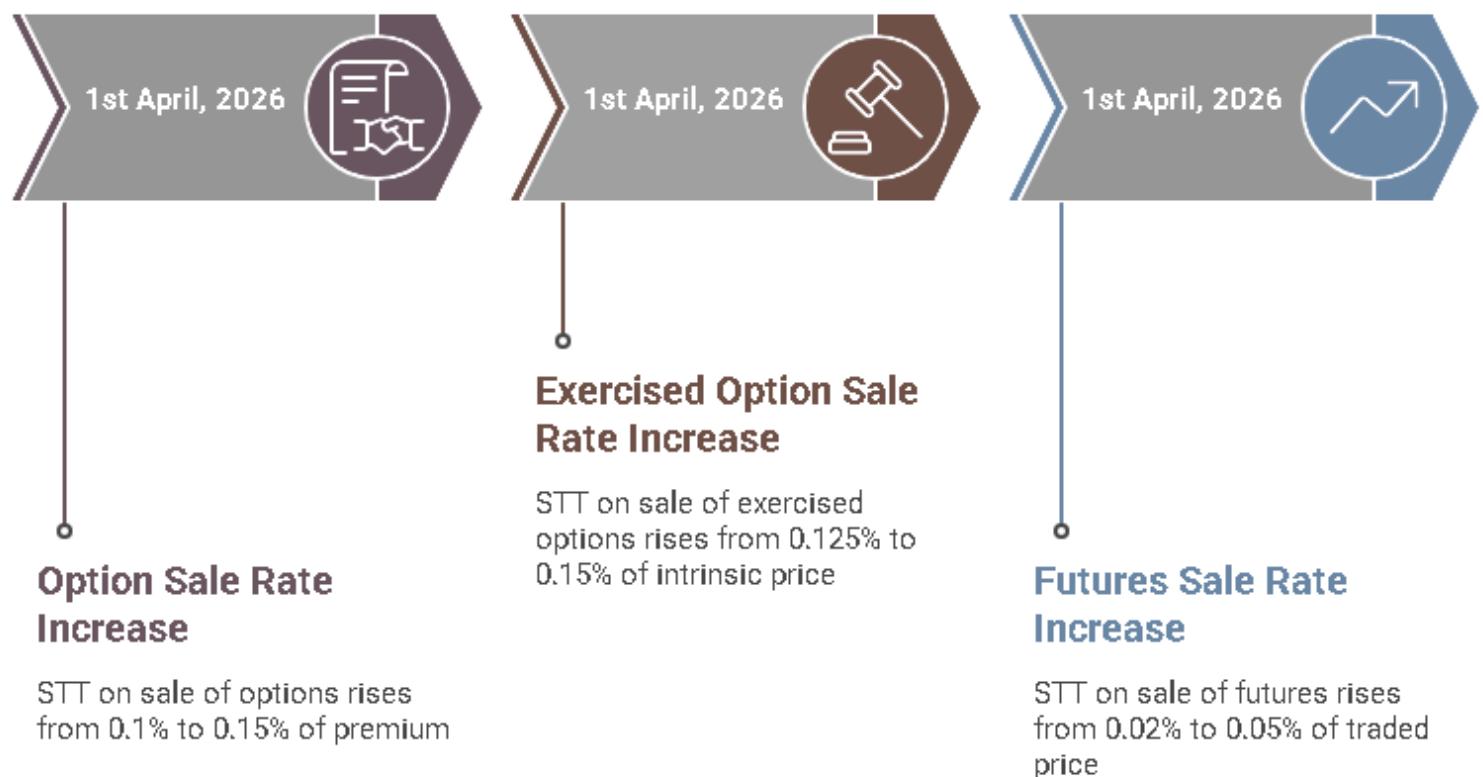
Foreign Companies

MAT credit set-off only when normal tax > MAT.

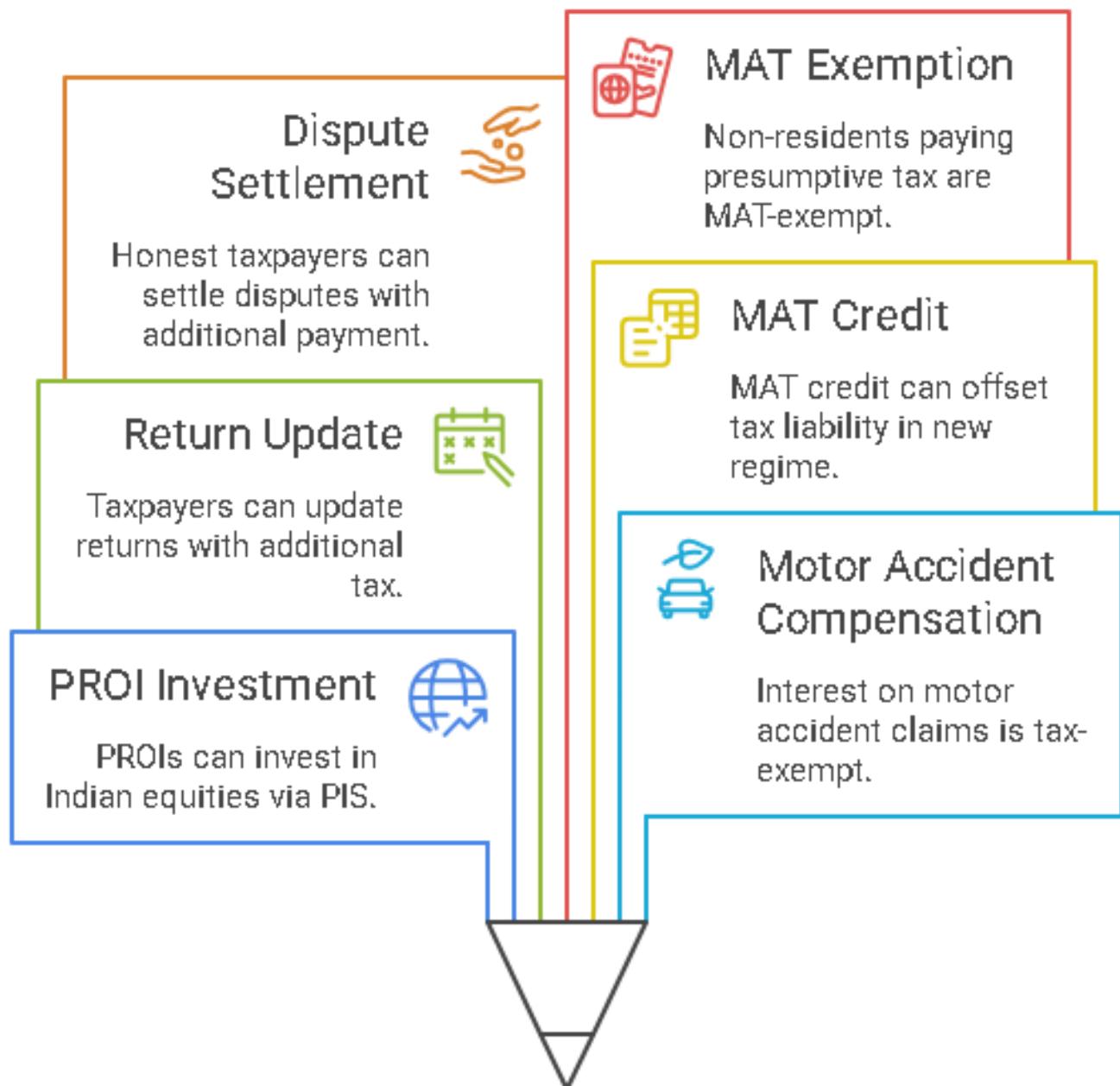
Amendments in TCS rates

Sl. No.	Nature of Receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption.	1%	2%
2	Sale of tendu leaves.	5%	2%
3	Sale of scrap.	1%	2%
4	Sale of minerals, being coal or lignite or iron ore.	1%	2%
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees— a) for purposes of education or medical treatment;	5%	2%
	b) Other purposes	20%	20%
6	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	Up to ₹10 lakh – 5% Above ₹10 lakh – 20%	2% (No threshold)

Securities Transaction Tax (STT): Key Changes

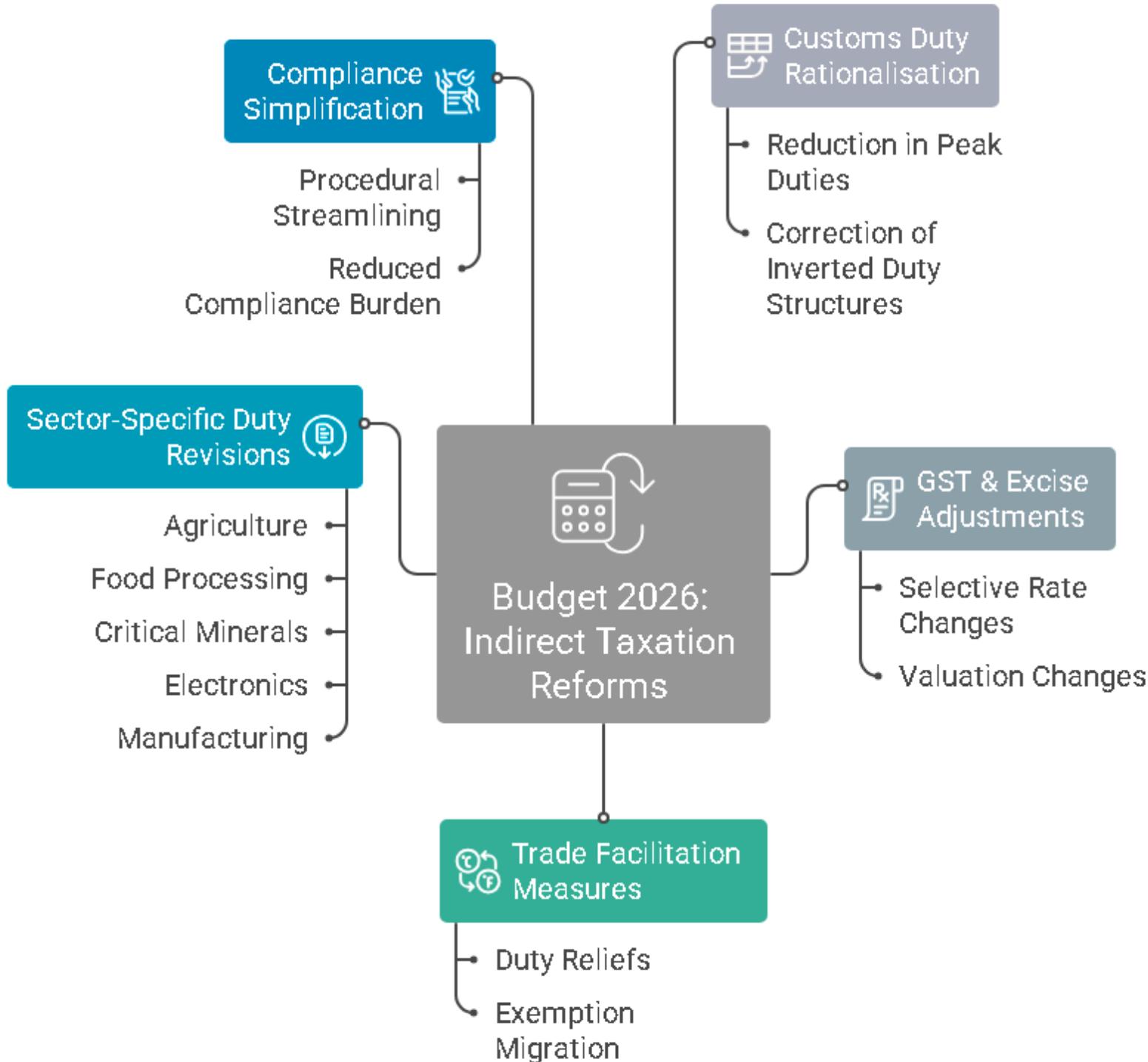


Pathways to Tax Simplification



INDIRECT TAX REFORMS





MSME & STARTUP



Approaches that help MSMEs growth as 'Champions'



01

Equity Support

- Dedicated ₹10,000 crore SME Growth Fund.
- Top up the Self-Reliant India Fund (2021) with ₹2,000 crore.

03

Professional Support

Government to facilitate Professional Institutions to develop 'Corporate Mitras' especially in Tier-II and Tier III towns, to help MSMEs meet compliance requirements at affordable costs

02

Liquidity Support through TReDS

Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates.

- Introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform.
- Linking GeM with TReDS to encourage cheaper and quicker financing.
- TReDS receivables as asset backed securities, to develop a secondary market and enhance liquidity and settlement of transactions.



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