

1 February 2026

Tax Alert - Key announcements
of Union Budget 2026



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Union BUDGET 2026-27

From consumption to competitiveness in the Consumer Products and Retail sector

Strengthening manufacturing, textiles, tourism, sports and MSMEs to build a future-ready CPR ecosystem



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The Union Budget 2026-27 reflects a strategic shift towards manufacturing, supply-chain resilience, and MSME strengthening for the CPR sector. Amid global trade uncertainty, technology disruption and input cost pressures, the Budget prioritizes productivity, capability building and long-term competitiveness over short-term demand stimulus.

The manufacturing-led policy approach focuses on strengthening domestic capacities across key CPR segments, particularly textiles, apparel, tourism and sports goods, while deepening MSME participation and improving supply-chain robustness. This structural emphasis provides a stable foundation for sustainable growth and operational resilience.

On the direct tax front, there are a series of tax-related measures proposed aimed at simplifying the tax framework and strengthening compliance while providing the much-needed clarity on key tax issues through retrospective amendments. There are notable relaxations on the Customs front, especially for toys, marine, leather, textile products and bullions which are positive steps to enhance cost competitiveness and support manufacturing.

Collectively, these reforms position the CPR sector for a durable transition towards a globally competitive, innovation-led manufacturing and retail landscape aligned with India's long-term economic aspirations. Having said that, expectations on measures to boost disposable income and rationalization measures to attract more foreign investment remain notably absent.

#EYonBudget2026

How does the budget impact the Retail and Consumer Products sector?

Highlights

Policy

- **Textile:** The GoI plans a transformation through the National Fibre Scheme for natural, man-made and new-age fibers; modernization of clusters under the Textile Expansion and Employment Scheme; support for weavers and artisans through a National Handloom and Handicraft Programme; sustainable production via the Tex-Eco Initiative; and skill development through Samarth 2.0. The Mahatma Gandhi Gram Swaraj Initiative will strengthen khadi, handloom and handicrafts, while Mega Textile Parks will drive value addition, especially in technical textiles.
- **Tourism:** To accelerate tourism growth, the government will establish a National Institute of Hospitality, introduce a pilot programme to upskill 10,000 tourist guides, and create a National Destination Digital Knowledge Grid to digitally document key cultural sites. It will also develop 15 iconic heritage destinations and expand sustainable nature-based tourism trails. A focused push for North-East states, supported by INR6,812 crores, includes a multi-state Buddhist tourism circuit, improved connectivity infrastructure with 4,000 e-buses, and expansion of regional tourism destinations.
- **Sports:** To transform the sports sector, the Government plans to position India as a global hub for high-quality, affordable sports goods by strengthening manufacturing, research and innovation in equipment design and material sciences. It also aims to expand sports infrastructure and training facilities under the Khelo India Programme to nurture talent and support holistic athletic development.
- **MSME:** To bolster MSMEs through a INR10,000 crore Growth Fund, enhanced credit access, expanded TReDS for timely payments, and measures to improve export competitiveness. The government will infuse INR2,000 crore into the Self-Reliant India Fund to strengthen micro enterprises' access to essential risk capital.
- **Agriculture:** Bharat-VISTAAR, an AI-enabled multilingual platform combining AgriStack and ICAR practices to give farmers real-time, customized advisories that improve productivity and reduce risks. It also boosts High Value Agriculture by supporting coconut, cashew, cocoa, sandalwood, agarwood, and pine nuts through replanting, high-density cultivation, better processing, and global-brand development to raise farmer incomes.



INR12.2 lakh
crore

Capital expenditure
increased

Transforming
textile and sports
sectors

Bolstering MSMEs

Agriculture
initiatives

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Direct tax

- New Income Tax Act to be effective 1 April 2026 - Relevant rules, forms to be notified soon.
- Rationalization of TCS rates in Section 206C

Particulars	From	To	Impact	Effective from
Sale of alcohol, liquor	1%	2%	↑	1 April 2026
Sale of tendu leaves	5%	2%	↓	
Sale of scrap	1%	2%	↑	
Remittance under LRS (>10 lakhs for education and medical treatment)	5%	2%	↓	
Overseas tour packages	5% / 20%*	2%	↓	

*5% for an amount up to INR10 lakh and 20% for amounts exceeding INR10 lakh

- Time available for revising income tax return extended from 31 December to 31 March with the payment of a nominal fee.
- The due date for 2filing of return of income by non-audit business cases, partners of non-audit firms and trusts not requiring audit is extended to 31 August following tax year from the existing time limit of 31 July.
- Increase in STT rates

Particulars	From	To	Effective from
Futures	0.02%	0.05%	1 April 2026
Options premium	0.1%	0.15%	
Options exercise	0.125%	0.15%	

- A transformational shift in the Safe Harbour regime for **electronics manufacturing**:
 - To harness the efficiency of just-in-time logistics for electronic manufacturing, the Budget Speech proposes to provide Safe Harbour to non-residents for component warehousing in a bonded warehouse.
 - The proposal seeks to provide a Safe Harbour profit margin of 2% on the invoice value, with a resulting tax incidence estimated at about 0.7%.
- The SHR-related proposals are announcements made as part of the Budget Speech which need to be implemented by way of rules. The effective dates and impact of such proposals need to be evaluated once the rules are notified.

Simplified Income Tax Rules and Forms to be notified

Rationalize TCS rates

Increase in STT rates for F&O

Scope of SHR expanded

How does the budget impact the Retail and Consumer Products sector?

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Indirect tax

- Modification in tariff rate (Customs Duty)

Chapter heading, sub heading/ Tariff item	Particulars	From	To	Effective from
6601 91 00/ 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or Rs. 60 per piece, whichever is higher	2 February 2026
6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of Umbrellas	10%	10% or Rs. 25 per kg., whichever is higher	
9804	All dutiable goods, imported for personal use	10%	11%* (effective rate)	1 April 2026
8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens	As applicable	Nil	2 February 2026

Tariff rates modified

Baggage rules revamped

*The above rates include Basic Customs Duty and SWS (wherever applicable)

- SWS on parts of electronic toys has been exempted from 2 February 2026.
- Baggage rules revamped to address concerns of international travellers by providing clarity on temporary carriage of goods, explicit allowance for one new laptop, and an increase in the general free allowance from INR50,000 to INR75,000.
- Measures introduced to promote exports of specified marine, leather and textile products, including increasing the duty-free limit of specified inputs from 1% to 3% of export Freight on Board value and extending the time limit for exports from six months to one year
- BCD exemption has been extended up to 31 March 2028 on various products including toys, diamonds, leather garments, etc.
- BCD exemption has been extended up to 31 March 2027 on products such as gold, silver dore bar, etc.

How does the budget impact the Retail and Consumer Products sector?

Highlights

- BCD exemption under Notification No. 45 /2025 -Customs is being allowed to lapse on 31 March 2026

Sr. No. of Notification	Description of goods
107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules
271	Cash dispenser or automatic banknote dispenser and its parts and components
275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team
276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from
291	Parts and Components of digital still image video cameras
309	Raw materials or parts for use in manufacture of e-Readers
397	Parts of video games for the manufacture of video games
1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media

**BCD exemption -
Sunset date**

- BCD exemption under Notification No. 45 /2025 -Customs is being allowed to lapse on 2 February 2026

Sr. No. of Notification	Description of goods
258	Coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee
285	Parts of radio trunking terminals
287	CD-ROMs containing books of an educational periodicals (magazines) or newspapers

Impact analysis

Budget 2026 delivers a structural boost to India's CPR ecosystem, marking a clear shift from short-term consumption support to long-term competitiveness and resilience. The strong emphasis on manufacturing spanning electronics, capital goods and allied sectors is expected to lower input costs, enhance supply chain efficiency, and improve operating leverage for consumer-facing businesses. Measures aimed at revitalizing legacy industrial clusters and improving liquidity access for MSMEs significantly strengthen the backbone of CPR supply chains, supporting scale, stability and vendor sustainability.

The textiles and apparel sector, a critical contributor to India's economy, receives one of its most comprehensive reform packages in recent years. The focus on securing fiber availability, accelerating technology adoption, embedding sustainability, upgrading skills, and developing large-scale manufacturing ecosystems is expected to reduce cost structures, compress production timelines, and enhance export competitiveness. Together, these interventions address long-standing structural constraints and position the sector for higher value-added growth.

There are specific measures aimed at boosting tourism to create a sustainable economic ecosystem, moving tourism from seasonal consumption to long-term structural growth.

High-quality sports goods manufacturing emerges as a strategic growth frontier, with targeted efforts to build research capability, material innovation, and design excellence. Supported by expanded sports infrastructure, these measures align closely with rising wellness awareness, increased sports participation, and growing athleisure demand, creating opportunities to build new consumer-product champions from India.

Rationalization of TCS on overseas tour packages will reduce upfront travel costs, improving affordability and cash flows, while the calibrated approach to TCS on education and medical remittances will ease liquidity pressures on households undertaking essential overseas expenditures, which is a positive move.

On Customs, the extension of duty-free inputs for shoe uppers, the exemption of Social Welfare Surcharge on parts of electronic toys, the recalibrated duty rates on umbrellas and personal-use imports, the duty reduction on microwave oven components, increase in general free allowance and the extended export timelines for leather and textile products collectively represent clear wins for manufacturing competitiveness and export agility.

Overall, Budget 2026-27 sets the stage for a more competitive, resilient and innovation-led CPR ecosystem. With sharper manufacturing capabilities and stronger supply chains, India is not just supporting consumption—it is building the foundations of a future-ready consumer economy.

Glossary

BCD - Basic Customs Duty

CPR - Consumer, Products and Retail

F&O - Futures and Options

GDP - Gross Domestic Product

Gol - Government of India

ICAR - Indian Council of Agricultural Research

LRS - Liberalised Remittance Scheme

MSME - Micro, Small and Medium Enterprise

SHR - Safe Harbour Regime

SWS - Social Welfare Surcharge

STT - Securities Transaction Tax

TCS - Tax Collected at Source

TReDS - Trade Receivables Discounting System



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