

# Union BUDGET 2026-27

## Strong biopharma push with welcome customs relief

Enhanced biopharma initiatives signal intent, even as tax policies stay steady



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This year's Budget offers a steady direction for the pharma and life sciences sector, with a clear emphasis on building biopharma capabilities. The INR10,000 crore Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) outlay, the expansion of National Institute of Pharmaceutical Education and Research (NIPER) and creation of a larger clinical trial network reflect the government's intent to strengthen innovation, enhance research infrastructure and gradually reduce import dependence. Complementary initiatives across AYUSH, medical tourism, mental health infrastructure and Allied Health Professional (AHP) skilling further contribute to the development of a more integrated and diversified healthcare ecosystem.

The continuation of Customs Duty relief for cancer and rare-disease treatment supports patient affordability and aligns with the broader objective of improving access to specialized treatments.

While the policy momentum is encouraging, a key omission is the absence of any direct tax incentives for R&D in the form of an enhanced deduction, which has been the industry's continued ask that the government should actively consider. Nevertheless, the policy measures announced provide a positive foundation for advancing India's position in biopharma and healthcare services.

# How does the Budget impact the pharma and life science sector?

- Biopharma SHAKTI, with an INR10,000 crore outlay over the next five years, aims to develop India as a global manufacturing pharma hub.
  - Biopharma-focused network of three new National Institutes of Pharmaceutical Education and Research (NIPERs) and upgrade seven existing NIPERs to deepen biopharma research.
  - Creation of a network of over 1,000 accredited clinical trial sites accelerate the process.
  - Strengthen the Central Drugs Standard Control Organisation (CDSCO) to meet global standards and approval timeframes through a dedicated scientific review cadre and specialists.
- BCD exemption on 17 drugs with duty relief on drugs and specialized foods for seven additional rare diseases to reduce landed costs and improve access to high-value niche therapies.
- To give an impetus to traditional medicine/ Ayurveda, the proposal is to set up three new All India Institutes of Ayurveda, upgrade AYUSH pharmacies and drug testing labs and upgrade the WHO Global Traditional Medicine Centre.
- Existing Allied Health Professionals (AHP) institutions to be upgraded and new AHP institutions to be established with a focus on 10 selected disciplines, adding over 1 lakh AHPs over the next five years.
- Training of over 1.5 lakh multi-sector caregivers proposed to support geriatric and allied care services.
- Promotion of medical tourism through a scheme to support states in establishing five Regional Medical Hubs to act as integrated healthcare complexes combining medical, educational and research facilities, with private sector collaboration.
- Establishment of NIMHANS-2 in North India and upgradation of mental health institutes in Ranchi and Tezpur to expand national institutional capacity for mental healthcare.
- Increase in Emergency and Trauma Care Centres by 50% in district hospitals planned to scale emergency-care infrastructure and service availability at the district level.
- Loan-linked subsidies for veterinary colleges, hospitals, labs and breeding centers to support growth in animal-health pharma, vaccines and diagnostics.

## Highlights



**INR1,04,599  
crore**

**Estimated healthcare  
expenditure for FY26-27**

**Focus on innovation,  
scaling healthcare  
capacity and  
infrastructure**



**INR10,000  
crore**

**Outlay to build the  
biopharma ecosystem**



**Customs Duty  
exemption on  
17 drugs**

## Indirect Tax updates

- Basic Customs Duty exemption provided on import of the following goods with effect from 2 February 2026.
- Import of the following 17 lifesaving drugs and medicines, along with bulk drugs used in their manufacture:
  - Ribociclib
  - Abemaciclib
  - Talycabtagene autoleucl
  - Tremelimumab
  - Venetoclax
  - Ceritinib
  - Toripalimab
  - Serplulimab
  - Tislelizumab
  - Inotuzumab ozogamicin
  - Ponatinib
  - Ibrutinib
  - Darolutamide
  - Ipilimumab
  - Dabrafenib
  - Trametinib
  - Brigatinib
- Basic Customs Duty, typically 7.5% on bulk drugs and 10% on formulations, is exempted on the above goods.
- Import of drugs, medicines and food for special medical purposes, when imported for personal use for treatment of the following seven rare diseases, covered under the National Policy for Rare Diseases (NPRD), 2021:
  - Congenital Hyperinsulinemic Hypoglycemia (CHI)
  - Familial Homozygous Hypercholesterolemia
  - Alpha Mannosidosis
  - Primary Hyperoxaluria
  - Cystinosis
  - Hereditary Angioedema
  - Primary Immune Deficiency Disorders
- Withdrawal of concessional rate of Basic Customs Duty on import of the following goods with effect from 2 February 2026
  - Artificial Plasma
  - Alpha pinene
- Basic Customs Duty exemption / concessional rates on import of the following goods, which are due to expire on 31 March 2026, extended up to 31 March 2028:
  - Lactose for the manufacture of homeopathic medicine.
  - Medical-use fission Molybdenum-99 (Mo-99) for the manufacture of radiopharmaceuticals.
  - Pharmaceutical Reference Standard.
  - Specified goods used for the manufacture of ELISA kits.
  - Anthraquinone or 2-Ethyl Anthraquinone for the manufacture of Hydrogen Peroxide.
  - Specified goods for the manufacture of orthopedic implants or other artificial parts of the body.
  - Super absorbent polymer (SAP) imported for the manufacture of specified goods.
  - Stainless steel tube and wire, cobalt chromium tube, etc. required for the manufacture of coronary stents/coronary stent systems and artificial heart valves.
  - Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases.
  - Medical and surgical instruments, apparatus and appliances, including spare parts and accessories thereof.
  - Hospital equipment for specified hospitals.
  - Raw materials, parts or accessories for the manufacture of Cochlear implants.
  - X-Ray Baggage Inspection Systems and parts thereof.
  - Portable X-ray machine / system.

## Indirect Tax updates (Contd.)

- No further extension has been provided for Basic Customs Duty exemption / concessional rates on import of the following goods, which will expire on 31 March 2026 :
  - Maltol for the manufacture of deferiprone.
  - Specified goods imported for the manufacture of Copper-T contraceptives.
  - Hydrophilic non-woven, hydrophobic non-woven, imported for the manufacture of adult diapers.
  - Pipes and tubes for the manufacture of boilers.
  - X-ray tubes used in the manufacture of X-ray machines for medical, surgical, or veterinary use.
  - Flat panel detector for the manufacture of X-ray machines for medical, surgical or veterinary use.
- Ease of Doing Business: The government will implement a unified digital single-window system for cargo clearances (including food, drugs, plant and wildlife products by April 2026), enabling immediate customs clearance for goods not subject to compliance requirements, upon online registration and duty payment and roll out of Customs Integrated System (CIS) within two years, as a single scalable platform for all customs processes.

## Direct Tax updates

- Gains on buyback of shares are proposed to be taxed as 'capital gains'. Additional income-tax is proposed to be levied at the rate of 2% and 9.5% on short-term and long-term capital gains, respectively, where the promoter is a domestic company; and 10% and 17.5% on short-term and long-term capital gains, respectively, in case of other promoter. This amendment is effective from tax year 2026-27.
- For domestic companies, it is proposed that:
  - MAT would be a final tax and no new MAT credit will be allowed.
  - No set off of MAT credit if the taxpayer continues under the old regime.
- Set off of MAT credit if transitioning to new regime during or after the tax year 2026-27, as follows:
  - Set off is restricted to 25% of normal tax liability.
  - The balance credit can be carried forward to subsequent tax years (subject to the existing limit of 15 years) and set off as above.

## Transfer Pricing updates

- Proposed expansion of Safe Harbour Rules
  - Introduction of unified Safe Harbour margins for IT services combining (a) software development services, (b) IT-enabled services, (c) knowledge process outsourcing and (d) contract R&D services relating to software development:
    - A common Safe Harbour margin of 15.5% shall apply to this unified category with an eligibility threshold enhanced from INR300 crore to INR2,000 crore.
    - Approval of an automated rule-driven process without tax officer intervention, and once applied, a company may continue using the same Safe Harbour for a continuous block of five years as an option.
  - 15% of the cost for an Indian captive data center service provider.
  - Safe Harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2% of the invoice value with a resulting tax incidence of 0.7%.
  - The Safe Harbour related proposals are announcements made as part of the Budget speech and the impact of the proposals will be assessed once the implementing rules are notified.

# Glossary

**CBDT - Central Board of Direct Taxes**

**FB - Finance Bill**

**ITL - Income Tax Act 1961 read with Income Tax Rules 1962**

**WHT - Withholding taxes**

**AHP - Allied Health Professionals**

**AYUSH - Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homeopathy**

**BCD - Basic Customs Duty**

**CDSCO - Central Drugs Standard Control Organisation**

**CESTAT - Customs, Excise and Service Tax Appellate Tribunal**

**CGST Act - Central Goods and Services Tax Act, 2017**

**ELISA - Enzyme-Linked Immunosorbent Assay**

**GST - Goods and Services Tax**

**MAT - Minimum Alternate Tax**

**Mo-99 - Molybdenum-99 (radioisotope used in radiopharmaceuticals)**

**APA - Advance Pricing Agreement**

**NIPER / NIPERs - National Institute(s) of Pharmaceutical Education and Research**

**NPRD - National Policy for Rare Diseases**

**Gol - Government of India**

**GST - Goods and Services Tax**

**TP - Transfer Pricing**

**R&D - Research & Development**

**SAP - Super Absorbent Polymer**



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