

House View: Union Budget 2026-27

February 2026

CBRE



Introduction

Union Finance Minister Nirmala Sitharaman presented her ninth Union Budget for 2026-27 with a continued emphasis on growth, fiscal discipline, and structural reforms, positioning the Indian economy as stable and resilient despite global trade and supply chain uncertainties, alongside ongoing trade deal efforts. In her address, the Finance Minister stated that the country's economic path has been supported by *structural reforms, fiscal prudence, and monetary stability*, along with a *strong thrust on public investment*. The government's First Advance Estimates, released in January 2026, placed real GDP growth at 7.4% for the current fiscal year. Notably, the Budget was structured around three *kartavyas* outlined by the government:

Accelerate and sustain economic growth	<ul style="list-style-type: none"> Enhancing productivity and competitiveness Building resilience to volatile global dynamics
Fulfil aspirations of our people	<ul style="list-style-type: none"> Build people's capacity Making them strong partners in India's path to prosperity
Sabka sath, sabka vikas	<ul style="list-style-type: none"> Ensuring that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation

These pillars formed the core policy framework guiding this year's proposals.

Fiscal discipline **remained a key theme** in this Budget, alongside **a continued infrastructure and manufacturing push**. Public capital expenditure was set at **INR 12.2 lakh crore (~USD 132.6 billion)** for FY2027, with policy focus spanning city economic regions (CERs), high-speed rail corridors, industrial and manufacturing scale-up, and urban-linked infrastructure. The fiscal deficit is estimated at **4.3% of GDP** for FY2027, following an estimate of 4.4% for FY2026. India's debt-to-GDP ratio is also projected at 55.6% in FY2027, improving from 56.1% in FY2026, with the government reiterating its intention to bring this closer to about 50% over the medium term. This measured approach comes in a period preceding key state elections, where demand and inclusion measures are likely to be balanced with continued budgetary discipline and investment priorities.

The sections that follow outline the major announcements and their implications across sectors.

Budget 2026-27: Headline statistics at a glance

INR 12.2 lakh crore
(~USD 132.6 billion)

Capex budget for FY2027, versus INR 11.2 lakh crore in FY2026

INR 10,000 crore
(~USD 1 billion)

Allocation for SME Growth Fund

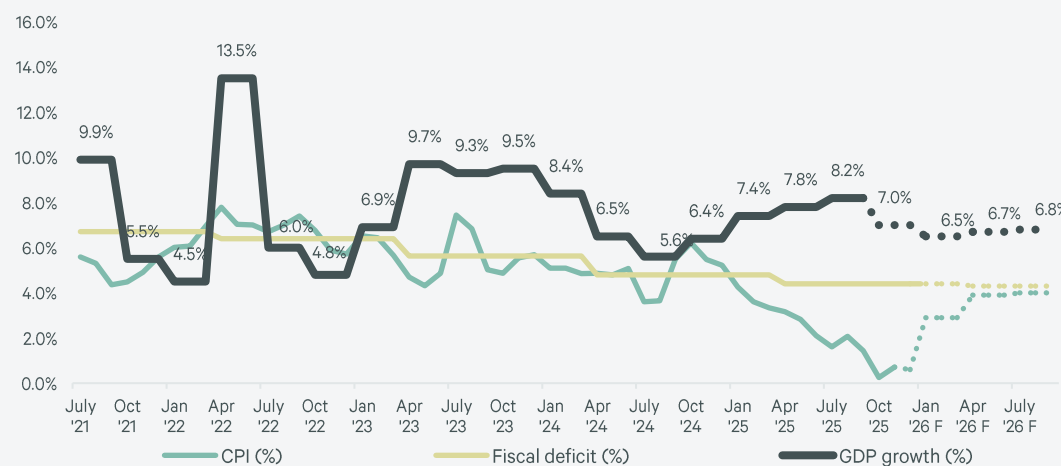
Fiscal Deficit: 4.3% of GDP

Estimated for FY2027, versus 4.4% of GDP in FY2026

INR 40,000 crore
(~USD 4.3 billion)

Outlay for the Electronics Components Manufacturing Scheme

India's GDP, Fiscal Deficit and Headline Inflation trends over the years



Source: GDP: National Statistics Office, RBI, December 2025; Fiscal Deficit: Controller General of Accounts, Union Budget 2026-2027; CPI: MoSPI, GOI, RBI; CBRE Research, February 2026

Manufacturing

Announcements	Quick Views
<p>Electronics Component Boost: The outlay for the Electronics Components Manufacturing Scheme has been nearly doubled to INR 40,000 crore (up from INR 22,919 crore) to increase domestic value addition in smartphones and IT hardware.</p> <p>Semiconductor Mission 2.0: Building on India Semiconductor Mission (ISM) 1.0, the government launched ISM 2.0 to produce equipment and materials, design full stack Indian intellectual property (IP), and fortify supply chains. This mission will also focus on industry-led research and training centres to develop technology and skilled workforce.</p> <p>Biopharma SHAKTI: A new INR 10,000 crore scheme for five years aimed at making India a global hub for biologics and biosimilars.</p> <p>Critical Mineral Corridors: Establishment of rare earth corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to promote domestic mining and processing of minerals essential for high-tech manufacturing.</p> <p>Integrated Textile Programme: Launch of a 5-part initiative, including the National Fibre Scheme and Textile Expansion and Employment Scheme, aimed at modernising traditional clusters and boosting exports.</p> <p>Legacy Cluster Rejuvenation: A new scheme to revive 200 legacy industrial clusters through infrastructure and technology upgrades.</p>	<p>Budget 2026-27 establishes a high-tech manufacturing trajectory through the launch of India Semiconductor Mission (ISM) 2.0 and the nearly doubled outlay for electronics components to INR 40,000 crore. By prioritising high-end equipment, materials, and domestic IP, the policy shifts focus from final assembly to deep-value manufacturing. For the real estate sector, this capital infusion could catalyse demand for specialised industrial assets and "Build-to-Suit" (BTS) facilities in established and emerging tech-manufacturing clusters.</p> <p>The launch of Biopharma SHAKTI, with a INR 10,000 crore outlay, coupled with a nationwide network of 1,000 accredited clinical trial sites and three new NIPERs, is likely to bode well for India's life sciences real estate sector.</p>

Data Centres

Announcements	Quick Views
<p>Recognising the need to enable critical infrastructure and boost investments in data centres (DCs), the Budget proposed to provide a tax holiday up to 2047 to any foreign company that provides cloud services to customers globally by using DC services from India. Sale of such services to Indian users shall be made through an Indian reseller entity and taxed appropriately.</p> <p>The Budget also proposed to provide a safe harbour of 15% on cost to the resident entity providing DC services to a related foreign company (who is providing cloud services to any part of the world outside India).</p>	<p>The tax holiday is expected to be a strategic lever to position India as a competitive alternative to regional DC hubs. By providing long-term fiscal clarity, the government is incentivising hyperscalers to anchor their global workloads in India. These reforms build on the DC sector surpassing ~1,530 MW (1.53 GW) in operational capacity as of September 2025¹.</p> <p>The introduction of a 15% safe harbour on cost for Indian resident entities providing DC services to related foreign cloud firms could provide critical pricing certainty. It may remove the risk of transfer pricing disputes, potentially enabling global hyperscalers to scale their DC infrastructure in India.</p>

Source: CBRE Research, Q1 2026; 1. India's Data Centre Market in a New Era, CBRE Research, November 2025

Infrastructure

Announcements	Quick Views
<p>Capex Boost: Capital expenditure is raised to INR 12.2 lakh crore for FY2027 (up ~9% from INR 11.2 lakh crore), focusing on railways, roads, and urban logistics.</p> <p>Infrastructure Risk Guarantee Fund: A new fund will provide credit guarantees to lenders, mitigating construction-phase risks to attract more private developers.</p> <p>High-Speed Rail Expansion: Seven new corridors proposed as "growth connectors": Mumbai–Pune, Pune–Hyderabad, Hyderabad–Bengaluru, Hyderabad–Chennai, Chennai–Bengaluru, Delhi–Varanasi, and Varanasi–Siliguri.</p> <p>Freight Corridor & Waterways:</p> <ul style="list-style-type: none"> • A new Dedicated Freight Corridor (DFC) will connect Dankuni in West Bengal to Surat in Gujarat. • 20 new National Waterways to be operationalised within five years. • Coastal Cargo Promotion Scheme launched to double the share of inland waterways and coastal shipping (targeting 12% by 2047). <p>City Economic Regions (CER): Focus primarily shifts to tier-II and III cities. Mapping of CERs based on growth drivers with an allocation of INR 5,000 crore per CER over 5 years via a "challenge mode" financing mechanism.</p>	<p>The increased capital expenditure target of INR 12.2 lakh crore is directed towards long-term assets in railways, roads, and urban logistics. To facilitate increased private sector involvement, the government has proposed an Infrastructure Risk Guarantee Fund. This mechanism is designed to provide partial credit guarantees to lenders, specifically targeting the mitigation of financial risks during the construction and development phases of large-scale infra projects.</p> <p>The government's mobility strategy includes the proposal of seven high-speed rail corridors, which focus on major economic hubs and emerging urban centres in southern, western, and northern India. Additionally, the introduction of the CER framework furthers the prioritisation of tier-II and III cities towards holistic infrastructure development.</p>

Real Estate Investment Trusts (REITs)

Announcements	Quick Views
<p>The Budget proposes accelerating the recycling and monetisation of major real estate assets held by Central Public Sector Enterprises (CPSEs) through the creation of dedicated REITs. Under this proposal, income-generating CPSE properties could be pooled into regulated REIT structures to unlock value.</p>	<p>The proposal signals continued policy support for REITs as a market-based asset monetisation route. It also provides a structured way to onboard government-owned properties on listed investment platforms, which could gradually deepen the REIT market. Given the large real estate holdings of CPSEs, this step may expand the pool of institutional-grade assets and support wider participation from institutional investors. The proposal also aligns with the broader National Monetisation Pipeline, which has achieved about INR 5.3 lakh crore against a INR 6 lakh crore target in the earlier phase.¹</p>

Source: 1. The Ministry of Statistics and Programme Implementation, August 2025; CBRE Research, Q1 2026

Information Technology (IT) Services

Announcements	Quick Views
<p>The government streamlined tax compliance for the IT sector by consolidating software development, contract research and development (R&D), IT-enabled services (ITeS), and knowledge process outsourcings (KPOs) into a single "IT Services" category with a unified, lower safe harbour margin of 15.5% (down from the previous range of 17–24%). Key updates include:</p> <p>Expanded Eligibility: The turnover threshold for safe harbour margins has been raised from INR 300 crore to INR 2,000 crore.</p> <p>Automated Processing: Approvals will now be handled via an automated, "rule-driven" system without manual tax officer intervention; once opted for, these are valid for five years.</p> <p>Faster APAs: The timeline to conclude Unilateral Advance Pricing Agreements (APAs) for IT Services is now capped at two years, extendable by six months upon request.</p>	<p>By consolidating IT-related functions into a single category with a unified 15.5% margin, the government has established a more competitive and predictable cost structure for international chargebacks. Furthermore, the introduction of a five-year validity period and an automated approval process could provide the long-term fiscal clarity essential for firms to plan capex and lease commitments with reduced regulatory uncertainty.</p> <p>From a real estate perspective, the technology sector remains the primary anchor for India's office market, accounting for a sizeable share in leasing activity. The simplified tax landscape is likely to sustain healthy office absorption trends, particularly as Global Capability Centres (GCCs) and tech firms scale their presence in both primary hubs and emerging tier-II cities.</p>

MSMEs

Announcements	Quick Views
<p>SME Growth Fund: A new dedicated INR 10,000 crore fund created to provide equity support to micro, small and medium enterprises (MSMEs) with high growth potential, aiming to turn them into "champion SMEs".</p> <p>Self-Reliant India (SRI) Fund Top-up: An additional INR 2,000 crore has been allocated to the SRI Fund to provide risk capital to micro and small enterprises.</p> <p>Mandatory TReDS Adoption: All Central Public Sector Enterprises (CPSEs) are now mandated to use the Trade Receivables Discounting System (TReDS) platform for purchases from MSMEs. Additionally, introduction of a credit guarantee mechanism specifically for invoice discounting on the TReDS platform.</p>	<p>The government has introduced a structural shift for the MSME sector by transitioning from debt-heavy support to equity-linked growth. The launch of the INR 10,000 crore SME Growth Fund and a top-up for the Self-Reliant India (SRI) Fund is expected to provide high-potential enterprises with the risk capital necessary for scaling and modernisation.</p> <p>Complementing this, the mandatory adoption of TReDS for all CPSE purchases from MSMEs, backed by a new credit guarantee mechanism for invoice discounting, is anticipated to directly address the issue of delayed payments, while strengthening credit access.</p>

Education	
Announcements	Quick Views
<p>Key initiatives include the establishment of Animation, Visual Effects, Gaming, and Comics (AVGC) content labs in 15,000 secondary schools and 500 colleges via the IICT Mumbai, founding of a National Institute of Design in Eastern India, and the creation of NIMHANS-2 to bolster mental healthcare.</p> <p>A high-powered Education to Employment and Enterprises Standing Committee will be established to specifically align service sector training with emerging industry needs.</p> <p>Further infrastructure developments feature five new university townships, and three additional AIIMS facilities.</p>	<p>The setting up of AVGC labs is expected to revolutionise the 'Orange economy', preparing a pipeline of 2 million projected jobs.</p> <p>The creation of university townships along industrial corridors is anticipated to bring education and industry into closer alignment, ensuring students gain practical, employment-ready skills.</p>

Tourism/Medical Tourism	
Announcements	Quick Views
<p>The Budget proposed upgrading the National Council for Hotel Management and Catering Technology into a full-fledged National Institute of Hospitality to modernise training and service standards.</p> <p>Simultaneously, a National Destination Digital Knowledge Grid will be established to digitally document culturally, spiritually, and historically significant sites, alongside the targeted development of 15 key archaeological locations into experiential cultural destinations.</p> <p>To strengthen India's global standing as a medical tourism destination, the finance minister also announced a scheme to support states in establishing five Regional Medical Hubs in partnership with the private sector.</p>	<p>Investments into institutes such as The National Institute of Hospitality is a step towards training a workforce that meets the professional standards required for a global tourism hub.</p> <p>Meanwhile, the five Regional Medical Hubs will serve as integrated complexes that combine modern medical facilities with educational and research capabilities. These hubs will feature specialised AYUSH Centres, Medical Value Tourism Facilitation Centres, and infrastructure for diagnostics and rehabilitation, providing diverse employment opportunities for doctors and allied health professionals (AHPs).</p>

Taxation	
Announcements	Quick Views
<p>Capital gains tax treatment for buybacks:</p> <p>Shareholder buybacks will now be taxed under the capital gains framework. Earlier, buyback proceeds were generally taxed as income in the hands of shareholders, typically at applicable slab rates. The revised regime shifts buybacks to capital gains treatment, with additional promoter-specific tax provisions built in.</p>	<p>Earlier, investors paid tax on the entire buyback amount at their applicable income slab rate. Now, the tax will apply under capital gains rules, which focuses on the profit portion. The Budget also added an additional tax layer for promoters, making buybacks less attractive as a structured promoter-exit mechanism, reinforcing their role as a primarily shareholder payout tool.</p>
<p>Sale of immovable property, TDS compliance simplification:</p> <p>For purchase of immovable property from a non-resident by a resident individual or HUF, TDS will now be deducted and deposited through the resident buyer's PAN-based challan instead of the buyer requiring a TAN registration.</p>	<p>This change simplifies the tax deduction process in cross-border property transactions. With no requirement of TAN for executing a sale transaction, execution becomes more straightforward while the underlying tax treatment remains unchanged.</p>

Taxation	
Announcements	Quick Views
<p>Customs duty relief for battery storage, solar glass inputs:</p> <p>The Budget proposed extending the basic customs duty (BCD) exemption on capital goods used for manufacturing lithium-ion cells to also cover capital goods used for manufacturing lithium-ion cells for battery energy storage systems. It also sought to exempt BCD on the import of sodium antimonate used in the manufacturing of solar glass—measures aimed at reducing input and equipment costs linked to clean energy and storage manufacturing.</p>	<p>The exemptions align with the expected scale-up in India's energy storage market. According to the India Energy Storage Alliance, the sector could attract about INR 4.79 lakh crore¹ of investment by 2032. The Central Electricity Authority has also projected a storage requirement of about 411.4 GWh¹ by 2032, spanning pumped storage and battery systems. Lower duty on key equipment and inputs can support domestic manufacturing capacity and improve project viability across storage and solar value chains.</p>
<p>GIFT City: Extended Tax Holiday Boost</p> <p>The Union Budget 2026-27 has doubled the tax holiday for entities established within GIFT City (IFSC), Gujarat, to 20 years, an increase from the previous 10-year limit. Following the completion of this holiday period, these units will be subject to a concessional corporate tax rate of 15%. This framework provides a substantial fiscal advantage compared to foreign companies operating in the rest of India, which currently face a base corporate tax rate of 35% on their income.</p>	<p>The extension to a 20-year tax holiday provides the long-term fiscal certainty and predictability required to position GIFT City as a premier globally competitive hub for offshore financial services. From a real estate perspective, this extended tax certainty is expected to drive demand for Grade A office spaces and specialised fintech infrastructure within the IFSC zone.</p>

Source: 1. Ministry of New and Renewable Energy, June 2025; CBRE Research, Q1 2026

Conclusion

Overall, the Union Budget 2026-27 maintained a balanced policy stance focused on growth, fiscal discipline, and capital formation. Continued emphasis on infrastructure spending, manufacturing scale-up, energy transition, and market-linked financing instruments such as REITs and InVITs indicated a steady push towards long-term capacity creation. Fiscal health indicators pointed to ongoing consolidation alongside sustained public capital expenditure.

The policy approach also factored in an uncertain global trade environment and signalled a calibrated response through deeper trade and investment engagement with major economies, supported by domestic reforms and asset monetisation measures. This combination is anticipated to support medium-term growth visibility and investment flows.

While the Budget did not include broad-based incentives for certain segments such as affordable housing, it did introduce targeted measures across infrastructure financing, urban and industrial development, energy, and manufacturing value chains. Taken together, the proposals remain investment-oriented, with sector-specific actions and continued focus on execution and capital deployment.



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