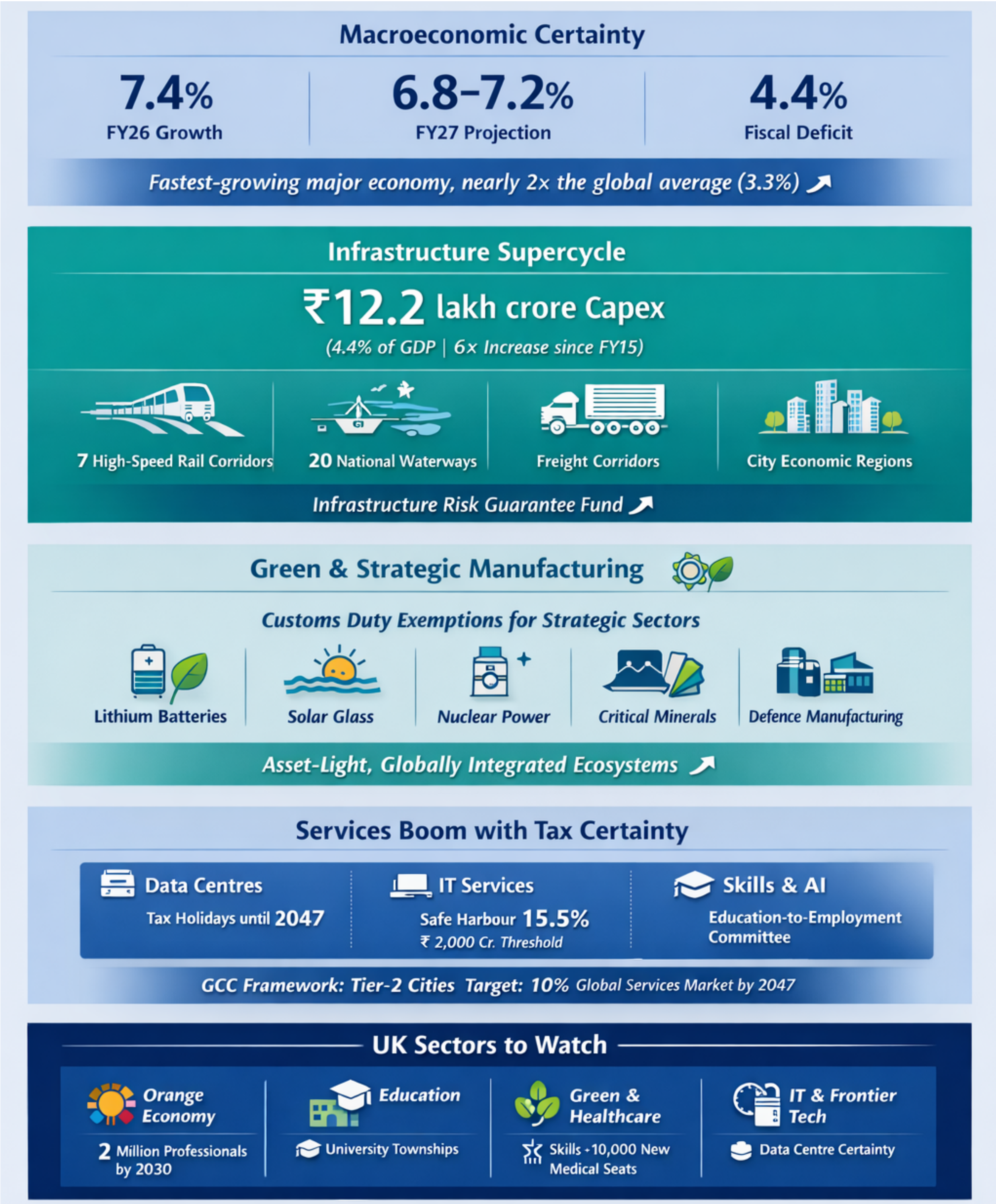
UK INDIA BUSINESS COUNCIL

India's Union Budget 2026-27
Build, Invest, Grow

Strategic Imperatives and UK Business Implications

7 February 2026

A Snapshot of the Budget 2026-27



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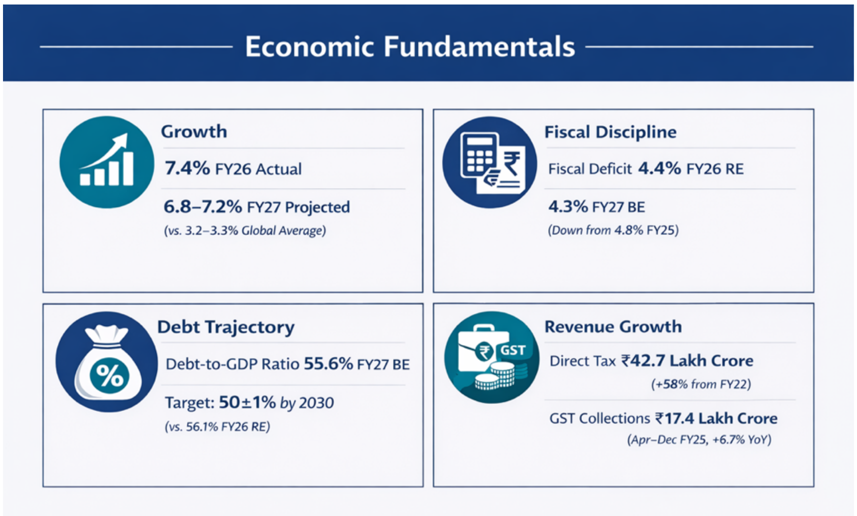
Executive Summary

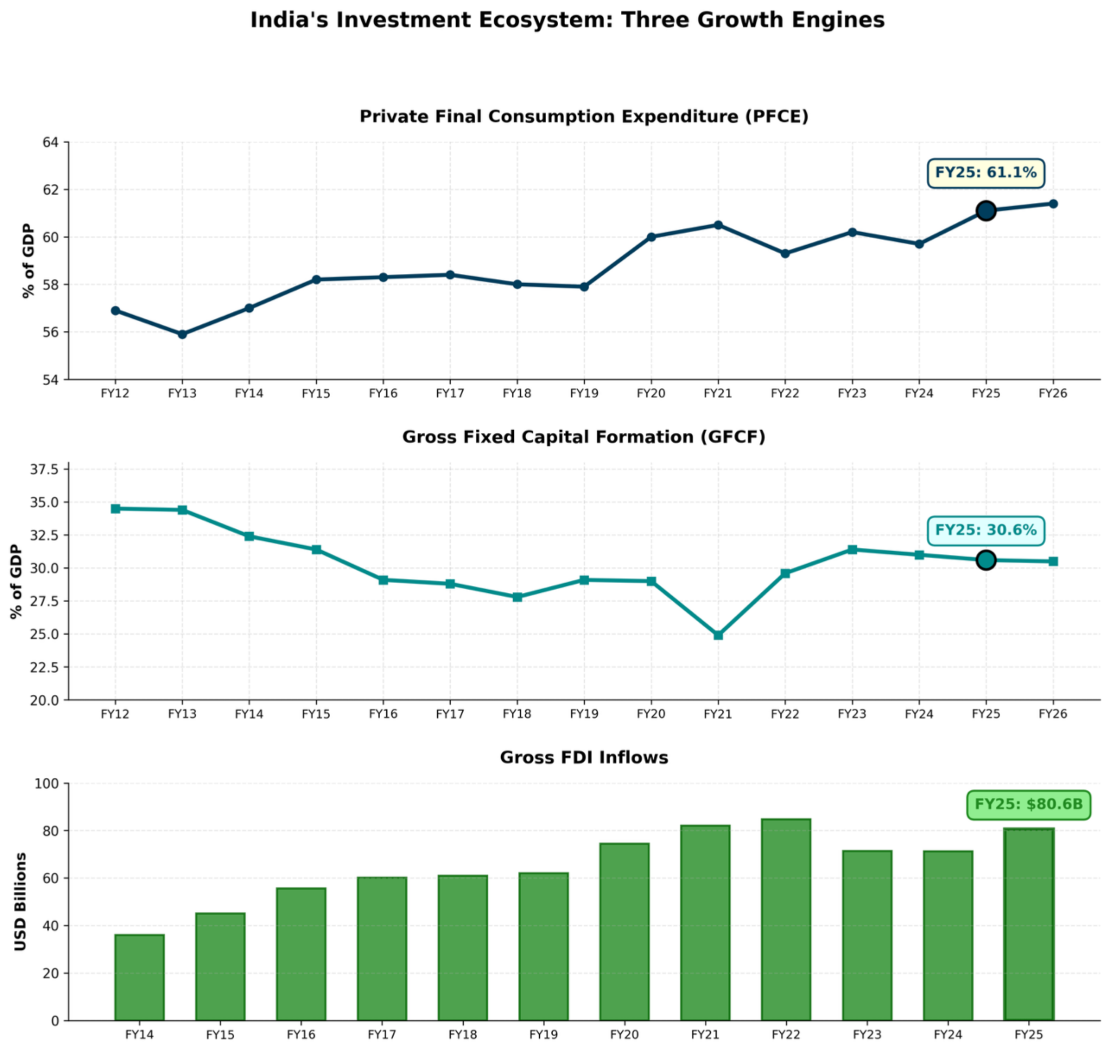
India's Union Budget 2026-27 signals deepening economic resilience and structural reforms, with implications across infrastructure, advanced manufacturing, and services exports, thereby presenting a plethora of opportunities for UK business. The budget projects 6.8-7.2% GDP growth (FY27), with a fiscal deficit of 4.3% demonstrating continued consolidation. Capital expenditure reaches ₹12.2 lakh crore (3.1% of GDP), supporting the government's infrastructure super cycle.

For UK members, the budget prioritises green and strategic manufacturing, critical minerals integration, services sector expansion (particularly IT, health, education, tourism), and financial sector liberalisation. This assessment highlights key signals and their implications for bilateral trade and investment, specifically from the UK-India perspective.

1. Macroeconomic Stability & Fiscal Credibility



India's investment ecosystem demonstrates resilience. Growth is anchored in strong private consumption and sustained fixed capital formation, which generate multiplier effects throughout the economy, while fiscal discipline is maintained through revenue buoyancy from direct taxes and GST collections. Foreign direct investment inflows remain stable, reflecting sustained global investor confidence, though momentum has moderated slightly due to broader global headwinds.

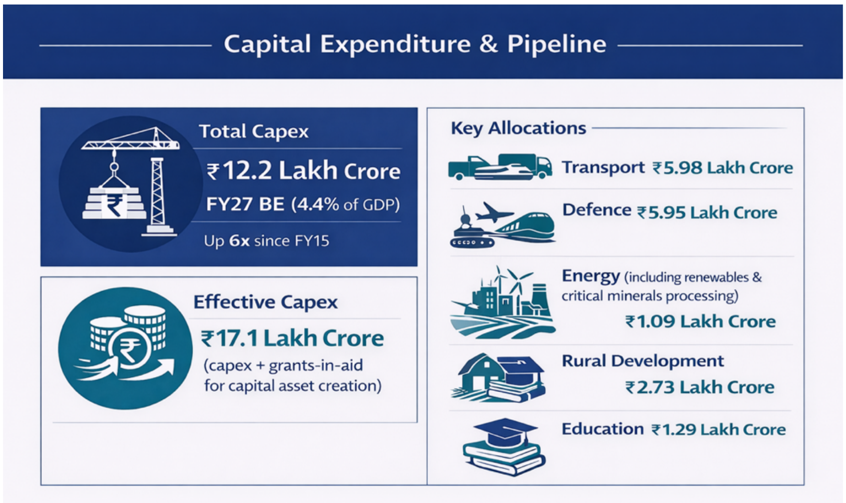


Implications for UK Businesses

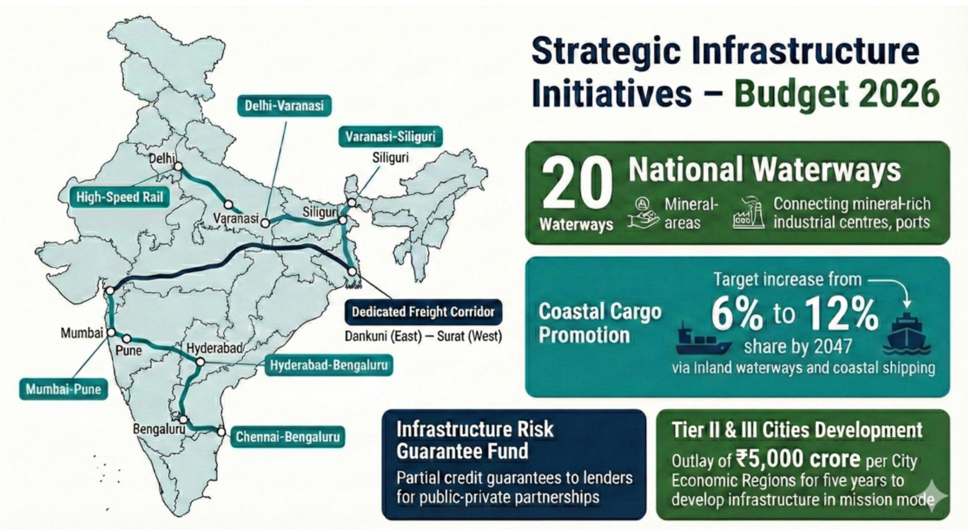
Fiscal consolidation reduces investment risk supporting long-term confidence for UK exporters and foreign direct investors. Three sovereign credit upgrades in 2025 (Moody's, S&P, R&I) validate India's macroeconomic management. Enhanced credit availability through lower RBI repo rates (120 bps cut since Feb 2025) and declining NPAs, currently at a multi-decadal low of 2.2%, improve financing conditions for UK-India joint ventures and manufacturing operations.

Opportunity: India-UK CETA's tariff reduction benefits (99% UK export duty-free access) are now embedded in a stable, investment-grade macro environment.

2. Infrastructure Boost & Project Opportunities



India's ₹12.2 lakh crore capex envelope, anchored by 20 national waterways, dedicated freight corridors, and high-speed rail networks, constructs the infrastructure scaffolding for regional manufacturing clusters and supply chain deepening—positioning logistics, engineering, and connectivity as core value-capture domains.



Implications for UK Businesses

Tier II/III city development: Budget focuses infrastructure in cities with 5+ lakh population, creating demand for construction equipment, project management services, and smart city solutions. UK firms excel in infrastructure financing, project appraisal, and construction technology. These are areas where India seeks international expertise.

Shipbuilding & maritime clusters: UK maritime engineering and design capabilities align with India's target to increase domestic shipbuilding competitiveness.

Waterways integration: Proposed waterways development create logistics opportunities; UK companies in port operations, vessel technology, and inland water transport can explore partnerships with Indian port trusts and state logistics corporations.

3. Green & Strategic Manufacturing: Critical Minerals & Advanced Sectors

The budget announces customs duty exemptions and reduced rates on strategic inputs, reinforcing India's 'Make in India' ambition with global competitiveness:

Sector-wise Key Duty Actions

Sector	Key Duty Actions
Energy Transition & Battery Storage	Basic Customs Duty (BCD) exemption extended to capital goods for manufacturing lithium-ion cells for battery energy storage systems (in addition to vehicle batteries)
Solar Glass	Exemption on sodium antimonate imports for solar glass manufacture
Nuclear Power	BCD exemption on all capital goods extended till 2035; expanded to all nuclear plants regardless of capacity
Critical Minerals Processing	BCD exemption on capital goods required for processing critical minerals in India; monazite duty reduced to nil
Textiles & Leather Exports	Export duty-free period extended from **6 months to 1 year** for leather/textile garments, footwear, and leather products
Civil & Defence Aviation	BCD exemption on components/parts for civilian and training **aircraft** manufacture; exemption on raw materials for defence aircraft MRO by PSus
Electronics	BCD exemption on specified parts used in **microwave oven manufacture** (deepening consumer electronics value addition)

The Budget additionally prioritises building integrated domestic ecosystems over import dependence:

- The Integrated Manufacturing Programme for Textiles spans natural and new-age fibres with cluster modernisation and skilling.
- Biopharma SHAKTI (₹10,000 crore over 5 years) establishes India as a biologics hub through institutes, clinical trial sites, and regulatory strengthening.

- The Scheme for rare earth permanent magnets develops four ‘rare earth corridors’ across mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu, enabling end-to-end value chains in mining, processing, and manufacturing.

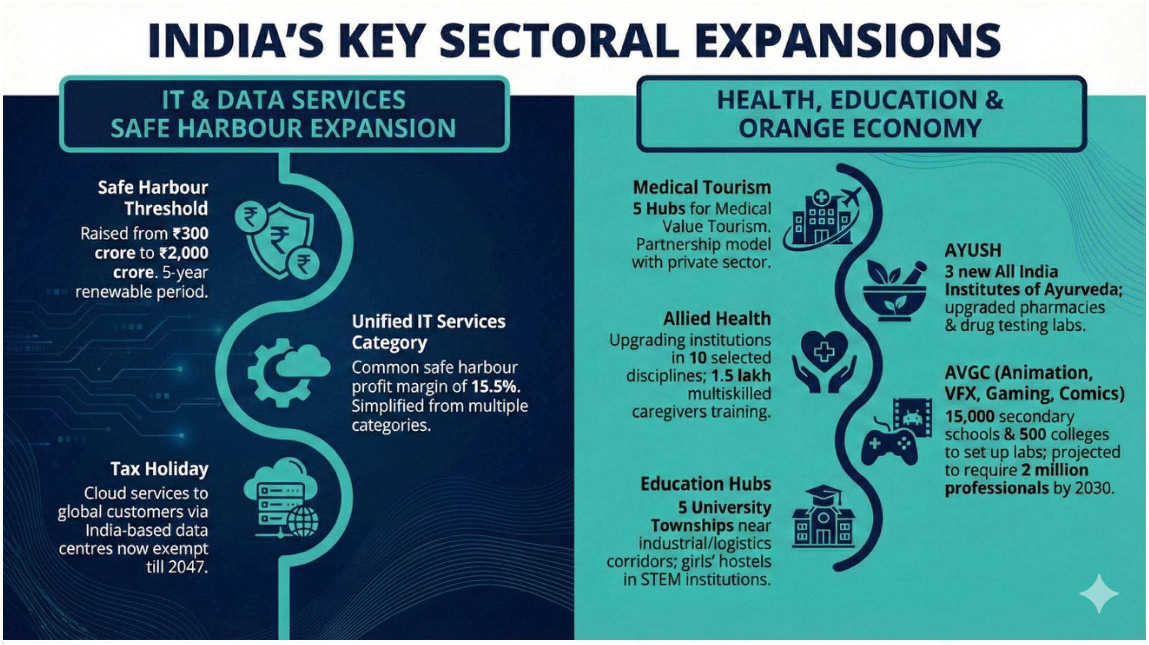
- Three dedicated chemical parks on plug-and-play models anchor petrochemical and specialty chemical production.

Implications for UK Businesses

Supply chain integration: UK firms in battery materials, critical minerals processing, renewable energy components, and advanced materials can position as suppliers to India's battery/EV ecosystem, technology partners, equipment manufacturers for electrolyser technology, advanced manufacturing machinery etc.

FTA advantage: Streamlined and strengthened trade channels can facilitate suppliers and UK professional mobility provisions facilitate knowledge worker deployment and joint ventures in these sectors.

4. Services Boom with Tax Certainty & Skills Push



Implications for UK Businesses

Services export corridor: Safe harbour expansion and tax holidays create certainty for UK service providers scaling India operations especially those eyeing IT services i.e. data analytics, cloud, Artificial Intelligence/Machine Learning.

Health: Telemedicine, medical devices and healthcare management (care ecosystem) are priority sectors for India where UK businesses excel.

Creative industries: UK expertise in AVGC sector align with India's institutional expansion.

Human capital: The 'Education-to-Employment' Standing Committee is an important recommendation to have services sector as core growth driver. UK institutions can participate in curriculum design, faculty exchange, and placement partnerships here.

5. UKIBC Strategic Wins & Opportunities

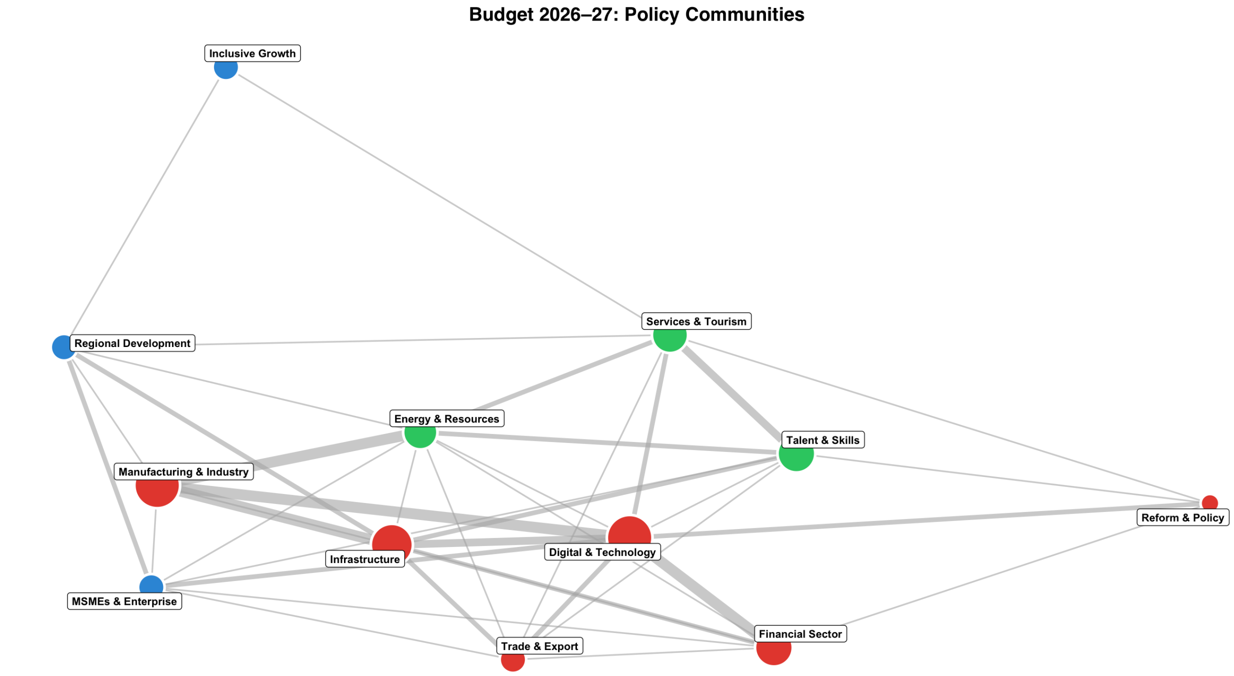
UKIBC's pre-Budget submissions spanned direct tax, indirect tax and broader policy measures aimed at improving investment competitiveness and supporting priority growth sectors. The Budget introduced a set of measures that reflect positive progress across several of these areas consistently highlighted by UKIBC:

- International Financial Services Centre (IFSC) competitiveness: IFSC units can claim tax deductions for 20 consecutive years within a 25-year window, introduced a 15% tax rate on business income post deduction, and rationalised deemed dividend provisions for treasury centres in IFSCs, thus directly strengthening the long-term competitiveness and certainty of IFSCs which is a core UKIBC advocacy priority.
- Tax incentives for data centres and cloud services: A tax holiday till 2047 for foreign companies providing cloud services by using India-based data centres, along with a 15% safe harbour for related Indian service providers, aligns with UKIBC's recommendations to incentivise large-capex digital infrastructure investments.
- Dispute resolution and litigation reduction: Integration of assessment and penalty proceedings and expansion of the updated return mechanism reflect UKIBC's consistent advocacy for simpler compliance and faster resolution of tax disputes.
- Corporate tax rationalisation: The reduction of Minimum Alternate Tax (MAT) to 14% with transition mechanisms, and the shift of buyback taxation to capital gains, support UKIBC's calls for a more predictable and neutral corporate tax framework.
- Orange economy focus: Budget support for the AVGC ecosystem, signals growing policy focus on the creative and digital economy, aligning with UKIBC's engagement on enabling frameworks these sectors.
- Indirect tax simplification and trade facilitation: Rationalisation of Tax Collected at Source (TCS) rates, tariff simplification measures, and targeted customs relief for SEZ manufacturing units reflect partial progress toward UKIBC's recommendations on reducing indirect tax friction and improving cash flow efficiency.
- Aerospace and defence manufacturing facilitation: Customs duty exemptions on raw materials for aircraft parts used in Maintenance, Repair, and Overhaul (MRO) and defence-linked manufacturing align directionally with UKIBC's advocacy for strengthening advanced manufacturing and defence supply chains.

Opportunities for UK Businesses: A Snapshot

Priority	Sector Focus	Action Items
Infrastructure	High-Speed Rail, Maritime, Coastal Logistics	• Bid for **design, appraisal**, and **financing roles** in corridor development; explore partnerships with Indian port authorities
Green Manufacturing	EV Batteries, Critical Minerals Processing, CCUS	• **Joint ventures** with Indian manufacturers; supply chain participation in cell/cathode production
Services	IT, Healthcare, Education, AVGC (Financial) Insurance, Pension Products, Green Finance	• Participate in university township partnerships; offer health care management expertise; upskill Indian talent in advanced tech • Leverage 100% FDI insurance cap (up from 74%); develop green bond products for infrastructure financing
Defence & Aerospace	Components, Design	• Supplier opportunities for indigenous aircraft/shipbuilding programs; offset partnerships
Food & Beverage	Dairy/Livestock, High-Value Agri	• Processing equipment suppliers; quality certification; cold chain logistics; veterinary partnerships; branded export intermediation

Conclusion



RED CLUSTER – Growth & Trade (5 themes): Manufacturing □ Digital □ Finance □ Exports

GREEN CLUSTER – Skills & Energy (3 themes): Talent □ Services □ Energy □ Sustainability

BLUE CLUSTER – Inclusion & Infrastructure (4 themes): Infrastructure □ Regional Development □ Equity & Employment

Node size reflects frequency of mention; edge thickness reflects co-occurrence strength.

A policy network chart derived from keyword analysis of the Finance Minister's speech illustrates an interconnected ecosystem where industry, infrastructure, technology, services, and human capital form mutually reinforcing elements. This integrated approach is reflected throughout the budget documents and signals India's decisive shift toward indigenisation and global competitiveness.

India's Union Budget 2026-27 reinforces the growth narrative that underpinned India-UK CETA negotiations. By positioning technology as a force multiplier and prioritising green sectors alongside human capital development, the Budget creates opportunities closely aligned with UK capabilities and investment interests.

For UK businesses, India's strong macroeconomic performance, the infrastructure super cycle, and an improved regulatory certainty present an extended window for supply chain deepening and sector partnerships under the CETA framework.

At its core, the Budget sends an unambiguous signal: **build in India, invest in India, and grow with India** —a framework that transcends sectoral boundaries and speaks to India's emerging role as a reliable, resilient growth anchor in an uncertain global economy.

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