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India Union Budget 2026-27

Point of view

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Consumer Markets and E-commerce

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Key announcements for the sector

The Budget tilts the consumer economy from discount-led growth to consumption confidence, cost efficiency, assortment depth, and geographic expansion. Demand is proposed to be supported by higher purchasing power and duty reductions, while supply-side resilience is expected to come from infra capex, manufacturing incentives, bonded warehousing, and MSME enablement. Digital formalisation and global investment reforms to add momentum to organised retail and omnichannel capability-building while enabling deeper Tier II and Tier III penetration and cost competitiveness through manufacturing and supply chain enablers.

Direct Tax

Corporate and Personal Taxes

- New income tax act to be effective from 1 April 2026. Rules and related forms to be notified shortly
- Buyback proceeds will now be taxed as capital gains in the hands of shareholders, with promoter- shareholders subject to an additional levy, resulting in effective tax rates of 22 per cent for corporates and 30 per cent for non-corporate investors
- Electronic application system introduced for lower TDS certificates
- Securities Transaction Tax (STT) rates increased from 0.1 per cent to 0.15 per cent on sale of options, from 0.125 per cent to 0.15 per cent when options are exercised, and from 0.02 per cent to 0.05 per cent on sale of futures
- Introduction of centralised submission of Form 15G/15H to depositories for claiming zero withholding
- Secondary purchase and sale of sovereign gold bonds would not have similar benefits to primary ones
- Time limit for filing a revised return to be extended from 31 December to 31 March with payment of fee
- No allowance of interest expense against dividend or income from mutual fund units
- Minium Alternate Tax (MAT) under the old tax regime becomes final with no new credits. MAT rate dropped to 14 per cent
- Penalties to be levied within the assessment order with deferment of interest on penalty which will be levied post passing of order by the appellate authority
- Simplified compliance for TDS applicable on sale of immovable property by NRIs
- Decriminalisation of non-payment or delayed payment of TDS/TCS and certain procedural offences, replacing harsher penalties with reduced imprisonment terms or monetary fines
- Reduction in TCS rates for overseas trips, thereby lowering the upfront tax collection on such trips.

Clarificatory amendments on certain procedural matters to end pending litigation

- Pre re-assessment notices are to be issued by Jurisdictional AO and thereafter, the re-assessment proceedings are to be conducted by the National Faceless Assessment Centre and its units in a faceless manner
- Assessments not to be invalidated merely on the grounds of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner
- Statutory timeline to issue the final assessment order excludes time provided for proceedings before the Dispute Resolution Panel, where applicable.

Transfer Pricing

- Rationalisation of Safe Harbour provisions for IT Sector to affect Consumer sector GCCs (detailed rules and guidelines are awaited):
  - — Wide range of services proposed to be clubbed under the category of IT Services with a safe harbor margin of 15.5 per cent
  - — Threshold for eligibility to apply Safe Harbour increased from current INR300 crore to INR2,000 crore
  - — Transfer Pricing safe harbour of 15 per cent on cost in case the company providing data centre services from India is an associated enterprise
  - — Approval under rule-based automatic process without need of any examination of application
  - — Once approved, safe harbour continues for a period of five years at the choice of the taxpayer.

Amendments to the Advance Pricing Agreement (APA):

- Fast-tracked Unilateral APA process for IT services targeted for completion within two years (detailed rules and guidelines are awaited)
- The Associated Enterprises of the entity entering into an APA are also allowed to file modified returns.

Indirect Tax

Goods and Services Tax - the key proposals under the Goods and Services Tax (GST) regime have been announced in line with the recommendations of the 56th GST Council

- The place of supply rule specific to intermediary services is to be removed. As a result, the general principle, treating the recipient's location as the place of supply, will be applied once the law is notified. This change will take effect once the Finance Act is enacted
- Amendments proposed to remove the condition that post sale discounts must be backed by a prior agreement. Such discounts can now be adjusted through a credit note, provided the recipient reverses the corresponding input tax credit
- Amendment proposed to extend provisional refund to claims for inverted duty structure
- Appointment of Interim Appellate authority by amending Section 101A of CGST Act 2017 to address conflicting State AAR/AAAR Rulings.

Customs Duty

- Validity of Customs Advance Rulings extended from the present three years to five years.
- Enhances duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators, from 15 days to 30 days
- One-time special measure to facilitate sales by eligible manufacturing units in SEZs to the DTA at concessional duty rates
- Customs Integrated System (CIS) to be rolled out in two years
- Prior permission requirement removed from warehouse-to-warehouse movement of goods.

Changes in applicable duty rates

- Reduction of tariffs (effective from 2 February 2026)
- Specified goods used for manufacture of microwave ovens are exempt from BCD
- All goods under heading 9503, including parts of electronic toys for manufacture of electronic toys are being exempted from SWS
- BCD on all dutiable goods, imported for personal use under heading 9804 is being reduced from 20 per cent to 10 per cent (with effect from 1st April 2026).

New tariff entries introduced (effective from 1 May 2026):

- BCD on blueberries, cranberries, shea nuts at 10 per cent
- BCD on wet blue leather (hides and skin) is Nil
- All goods falling under 84159000 other than indoor or outdoor units of split- system AC at BCD of 10 per cent
- BCD on Refrigerated containers at 5 per cent.

Increase in basic custom duty custom duty:

- Parts of video games for the manufacture of video games will now attract BCD rate of 20 per cent from concessional rate of 5 per cent (with effect from 1 April 2026)
- BCD rate increased to 2.5 per cent on Naphtha, for use in the manufacture of fertilisers (effective from 1 April 2026)
- BCD rate increased to 10 per cent from concessional rate of 7.5 per cent on coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee (effective from 2 February 2026)
- BCD on umbrella revised from 20 per cent to 20 per cent or Rs 60 per piece, whichever is higher (effective from 2 February 2026).

Exemption/concession extended till 31 March 2028:

- Exemption on parts, components and accessories for manufacture of CCTV camera
- Concession duty at 5 per cent extended on Open cell for use in the manufacture of LCD and LED TV panels
- Concession duty at 10 per cent specified goods for use in the manufacture of LCD and LED TV panels.

Relevant Sub Sector Announcements

- Textiles and handicrafts sector
  - Integrated programme for labour intensive textiles sector
  - Development of mega textile parks for boosting technical textiles
  - Mahatma Gandhi Gram Swaraj Initiative
  - Reduction in customs duties for leather and synthetic products.
- Sports goods
  - Launch of Khelo India Mission to transform sports sector
  - Dedicated initiatives for sports goods to promote manufacturing, research and innovation.
- Agriculture, fisheries and animal husbandry
  - Support to high-value crops such as sandalwood
  - Dedicated programme for Indian cashew and cocoa to make India self-reliant in raw cashew and coconut production and processing
  - Launch of AI tool for farmers to enable better decision making and reducing risk
  - Development of 500 reservoirs and strengthening value chain in coastal areas

— Credit linked subsidy programme, integrated value chains, modernization of live-stock enterprises.

- Tourism
  - Setting up a National Institute of Hospitality and pilot scheme for upskilling guides to boost education and skills in tourism industry
  - Develop ecologically sustainable hiking and trekking trails
  - Develop 15 archaeological sites and transform them into experiential cultural destinations
  - Incentives for indigenous manufacturing of sea planes to improve connectivity
  - Measures to promote India as a global hub for medical tourism with support to states in establishing five regional medical hubs.
- Electronics
  - Electronics Component Manufacturing Scheme (ECMS) outlay increased to INR40,000 crore, almost doubling earlier allocation
  - India Semiconductor Mission 2.0 launched, expanding focus beyond fabs to equipment, materials, design IP and skilling
  - Customs duty rationalisation to deepen value addition (parts for consumer electronics, batteries, electronics inputs)
  - Continued PLI-style, output-linked incentive framework embedded within electronics and component schemes.
  - Strong alignment with broader manufacturing, logistics and infrastructure capex push.

Implications for the sector

This year's Budget reinforces a strong consumer-centric orientation, signaling that sustained economic growth will be driven by higher household spending, stronger domestic manufacturing, and greater rural participation in consumption cycles. The emphasis on middle-class tax relief, MSME incentives, and agricultural support directly enhances the near-term demand environment for consumer goods.

Across the consumer spectrum—FMCG, retail, e-commerce, food and beverage, apparel, personal care, and premium/luxury goods—the sector stands to benefit from higher disposable income, improved supply chain infrastructure, and lower production costs enabled by rationalised taxes and targeted subsidies. Measures focused on rural prosperity, including direct benefit transfers (DBT) and increased agricultural credit have been taken to ensure that consumption from semi-urban and rural markets remains resilient and continues to broaden the sector's demand base.

This year's Budget also significantly targets to strengthen India's domestic manufacturing ecosystem, positioning homegrown brands to meet accelerating local demand while building the capability to expand globally. Investments in logistics, digitisation, and trade facilitation to enable consumer businesses to improve delivery speed, reduce cost-to-serve, and compete more effectively in international and omnichannel markets.

- Retail and e-commerce
  - Higher consumer purchasing power expected to lift discretionary spending, including lifestyle categories and electronics supporting a gradual shift from discount led buying to confidence led consumption
  - Faster Tier 2/3 expansion becoming more feasible due to MSME support, rural initiatives and ecosystem strengthening with local sourcing/cluster ecosystems
  - Margin protection and pricing flexibility via bonded warehousing and cost structure incentives with logistics improvements lowering cost to serve and supporting omnichannel profitability
  - Category wise growth pockets:

- Near term: Electronics and appliances (non duty drivers like supply chain strengthening, domestic manufacturing)
    - Medium term: Sportswear, athleisure, outdoor
    - Emerging: Wellness, technical textiles, assistive/geriatric retail supported by inclusive tech-enabled formats.
  - Organised retail acceleration due to digital formalisation improving transparency, compliance and consumer trust
  - Greater global brand participation driven by FEMA reforms accelerating omnichannel and fulfilment expansion
  - Strengthening of India as a Tech and Retail GCC hub due to long term tax exemption for cloud and data centre services supporting retail tech GCC scaling (data/AI, CX and supply chain tech)
  - Trust based customs systems could reduce delays and compliance overheads for large e-commerce importers and fulfillments businesses
  - SEZ to DTA concessional sales could help manufacturers optimise their excess capacity and manage inventory more efficiently during demand fluctuations.
- Textiles and handicrafts sector
  - These measures will benefit weavers, artisans and rural youth
  - Clear benefits anticipated for footwear, sports retail and apparel.
- Sports and lifestyle
  - Sports exports and manufacturing are expected to rise considering the above measures
  - Expected to lead to improved forex earnings and generate employment opportunities.
- Agriculture, fisheries and animal husbandry
  - Changes expected to promote entrepreneurship in animal husbandry through credit linked subsidy programme, integrated value chains, modernisation of livestock enterprises among others
  - These measures are expected to result in increased productivity, enhanced farmer incomes, generate new employment opportunities, rural development and increase in consumer spending.
- Tourism
  - The above measures are targeted towards development of new tourist destinations, improved connectivity and lower taxes are expected to boost tourism in India, create job opportunities and also augment forex earnings.
- Electronics
  - Expected to shift electronics manufacturing from assembly-led to component-led value creation
  - Expected to reduce import dependence on key components over the medium term
  - Targeted to Improves cost competitiveness, supply chain resilience and lead-time certainty
  - Encourages larger CAPEX commitments from EMS players and global OEMs.
- Boost to consumption
  - Targeted support for Coconut, cocoa, cashew, fisheries, animal husbandry, ayurveda, high value crops is poised to directly support consumption in food, personal care, home care and Agri – linked FMCG categories
  - An expansion of healthcare, nutrition and allied services expansion is expected to increase employment and wage stability improving the repeat consumption of daily use products
  - Measures to encourage services and technology – led job creation supports discretionary spending on consumer electronics, appliances, and devices
  - Increased support for women – led enterprises could boost household income and local retail activity, expanding the last mile FMCG distribution and demand in rural areas and Tier II – Tier III cities.

- Structural reforms
  - The removal of the INR1 Mn cap on courier exports should enable MSMEs, D2C brands and artisans to scale global e-commerce sales, strengthening revenues and reinvestments for domestic market/categories expansion
  - Simplified customs, faster clearances and a digital single window could reduce delivery timelines and friction, which could improve customer confidence in online purchases
  - Infra capex and logistics corridor build-out lower distribution costs and improve last-mile efficiency—especially beneficial for omnichannel models
  - Tourism, urban infrastructure, and more economic/sector specific corridors and regions may help expand digitally active consumer bases, driving omnichannel and quick commerce growth.
- Tax reforms
  - Tax reforms this year aim to improve consumer affordability and strengthen industry margins through reduced personal import duties, rationalised customs on key inputs, and simplified compliance—boosting both demand and domestic manufacturing competitiveness
  - Significant reforms in transfer pricing litigation and dispute resolution are expected to provide meaningful relief and certainty to MNE groups.

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