



# India Union Budget 2026-27

## Point of view

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### Healthcare

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## Key announcements for the sector

### Overall Healthcare Budget

- The Government of India has allocated a total of ~INR1,06,530 crore (Cr.) in FY2026-27 budget for the country's healthcare sector, which is a 10 per cent increase from ~INR96,853 Cr. in FY2025-26. The budget allocated to healthcare is approximately two per cent of the overall fiscal union budget for the FY 2026-27 (~INR53,47,314 Cr.)
- Out of the overall healthcare budget, the Department of Health and Family Welfare is allocated ~INR1,01,709 Cr. in FY2026-27 as compared to ~INR92,926 Cr. in FY2025-26 (an increase of ~9 per cent) and the Department of Health Research (DHR) is allocated approximately INR4,821 Cr. as compared to INR3,928 Cr. (an increase of 23 per cent) respectively.

### New initiatives and announcements

- **Biopharma SHAKTI** (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) with an outlay of INR10,000 crore, over the next five years to develop India into a global biopharma manufacturing and innovation hub by strengthening domestic capabilities in biologics, biosimilars, and clinical research. The programme includes establishing three new NIPERs, upgrading seven existing ones, and building a network of over 1,000 accredited clinical trial sites, creating a robust talent, research, and regulatory ecosystem. Collectively, it is designed to accelerate innovation, expand high value manufacturing, and enhance India's competitiveness in the global biopharma value chain
- **Central Drugs Standard Control Organisation (CDSCO)** – Allocation of INR500 Cr. to strengthen the CDSCO to meet global standards and approval timeframes through a dedicated scientific review cadre and specialists
- **Regional medical hubs:** In line with the Heal India initiative, a new scheme will establish five regional medical hubs in partnership with the private sector. These integrated complexes will bring together medical services, education, research, AYUSH, diagnostics, post-care, and rehabilitation infrastructure
- **Allied Health Professionals (AHPs) institutions** – Strengthening existing institutions for allied health professionals and new Allied Healthcare Professional (AHP) institutions will be established across both Government and private sectors. With a budgetary outlay of INR1,000 Cr. in FY 2026-27, the initiative will cover 10 selected disciplines and is expected to add approximately 1,00,000 trained AHPs over the next five years, thereby significantly augmenting the allied healthcare workforce
- **Strengthening geriatric and allied care services:** Targets 1.5 lakh caregivers to be trained under this initiative in the coming years to strengthened care ecosystem through National Skills Qualifications Framework (NSQF) aligned programs designed to train multi skilled caregivers in core care as well as complementary skills such as wellness, yoga, and operation of medical and assistive devices
- **All India Institutes of Ayurveda:** To bolster India's traditional medicine system with establishing three new All India Institutes of Ayurveda, upgrading AYUSH pharmacies and drug testing labs, and enhancing the WHO Global

Traditional Medicine Centre in Jamnagar to strengthen evidence based research, training, and certification standards

- **Veterinary care:** A loan linked capital subsidy scheme supporting private sector veterinary colleges, hospitals, diagnostic labs, aiming to train over 20,000 professionals and breeding facilities, while also enabling collaboration between Indian and foreign institutions
- **Mental health:** To strengthen specialised care capacity, government to establish NIMHANS 2 (National Institute of Mental Health and Neurosciences) and upgrade the mental health institutes in Ranchi and Tezpur into Regional Apex Institutions.
- **Emergency and Trauma Care Centres in District Hospitals:** To reduce the financial burden on vulnerable families during medical emergencies, emergency and trauma care capacity in District Hospitals across India to be expanded by 50 per cent through the establishment of dedicated Emergency and Trauma Care Centres
- **Special Economic Zones (SEZs)-** a special one-time measure allowing eligible manufacturing units in SEZs across India to sell part of their output in the Domestic Tariff Area (DTA) at concessional rates of duty. This is intended to help SEZ units utilize idle capacity and cushion them against global trade disruptions.

#### **Key public health and other allied programmes**

- Compared to the last fiscal year, the National Health Mission (NHM) received incremental increased budget, with an increase of 6 per cent from INR37,100 Cr. in FY 2025-26 to approximately INR39,390 Cr. in FY 2026-27
- The National Tele Mental Health Programme saw a 14 per cent increase in budget allocation, amounting to approximately INR51 Cr. compared to INR45Cr. in FY 2025-26
- The Ayushman Bharat Digital Mission (ABDM) received a slightly increased allocation of approximately INR350 Cr. in FY 2026-27 compared to INR324 Cr. in FY 2025-26 (8 per cent increase)
- National AIDS and STD Control Programme has received an increased allocation from INR2,662 Cr. in 2025-26 to INR3,477 Cr. in 2026-27 (increase of nearly 31 per cent).
- The budget allocation for Human Resources for Health and Medical Education has a slight increase of nearly 6 per cent from INR1,630 Cr. In the last fiscal year to INR1,725 Cr. In FY 2026-27.

#### **Department of Health Research (DHR)**

- The Department of Health Research received an increased budget allocation by 23 per cent (~INR4,821 Cr.) from last FY (INR3,928 Cr.) for establishment of centers, various central sector schemes for infrastructural development of health research, and major budget allocation of INR4,000 Cr. to the Indian Council of Medical Research (ICMR) which has increased by nearly 27 per cent last FY
- Budget allocation for Bio-security preparedness and strengthening Pandemic Research and Multi Sector and National Institutions and Platform for One Health has shown a slight increase of 8 per cent as compared to last financial year. The budget has increased from ~INR325 Cr. in FY 2025-26 to ~ INR351 Cr. in FY 2026-27.

#### **Healthcare coverage budget**

- The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) allocation has been raised from ~INR9,000 Cr. in 2025-26 to INR9,500 Cr. in 2026-27 (a slight increase of nearly 6 per cent).

#### **Healthcare infrastructure development**

- Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) focuses on upgrading existing medical institutions and government medical colleges has got an increased allocation from INR1,500 Cr. in 2025-26 to INR2,005 Cr. in 2026-27 (increase of nearly 34 per cent). Emergency and trauma care centres will be established in District Hospitals under the scheme
- Allocation for Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) is increased from INR2,442 Cr. in 2025-26 to ~INR4,200 Cr. in 2026-27 (an increase of nearly 72 per cent)
- Assistance from States for Public Health Infrastructure has shown a massive boost with an allocation of INR4,200 Cr. In FY 2026-27 as compared to INR699 Cr. In FY 2025-26, reflecting an increase of nearly 500 per cent.

## **Disease surveillance systems and outbreak management**

- There has been an increase of nearly 30 per cent for Health Sector Disaster Preparedness and Response, and Human Resources Development for Emergency Medical Services, with an allocation of INR95 Cr. in FY 2026-27 compared to INR73 Cr. in FY 2025-26
- There is an increase of 22 per cent in the allocation for setting up a nationwide network of laboratories for managing epidemics and national calamities, with the budget increasing from nearly INR57 Cr. in FY 2025-26 to approximately INR70 Cr. in FY 2026-27.

## **Ministry of AYUSH and Other Allied Programmes**

- The Ministry of AYUSH has been allocated an increased budget of approximately INR4.409 Cr. in FY 2026-27, compared to around INR3,672 Cr. in the previous fiscal year (nearly a 20 per cent increase). Major allocations have been made for central sector schemes such as AYURGYAN (32 per cent increase from INR37.81 Cr. in FY 2025-26 to INR50 Cr. in FY 2026-27), Ayurswashay Yojana (approximately a 34 per cent increase from INR46.73 Cr. in FY 2025-26 to around INR63 Cr. in FY 2026-27), AYUSH Oushadhi Gunvatta evum Uttapadan Samvardhan Yojana (AOGUSY) (52 per cent increase from INR17.75 Cr. in FY 2025-26 to INR27 Cr. in FY 2026-27) and Central Sector Scheme for Conservation, Development and Sustainable Management of Medicinal Plants (86 per cent increase from INR35 Cr. in FY 2025-26 to INR65 Cr. in FY 2026-27)
- National Ayush Mission (NAM) has been allocated an increased budget of INR1,300 Cr. in this fiscal year as compared to INR781 Cr. in FY 2025-26, reflecting an increase of nearly 66 per cent.

## **Corporate Tax**

- Rate of Taxation:
  - No changes to the headline corporate tax rate
  - Minimum Alternate Tax (MAT) for companies:
    - No MAT to foreign companies which opt into presumptive taxation
    - MAT rate reduced to 14 per cent of book profits in the old regime
    - MAT to be made as final tax in the old regime and consequently, no new MAT credit to be allowed to be carried forward
    - Set-off of MAT credit to be allowed only in new regime to the extent of 25 per cent of the tax liability in the new regime.
- Return of Income:
  - The time limit for filing a revised return of income has been extended to 12 months from the end of the relevant financial year, as compared to the existing limit of nine months. A fee INR1,000 or INR5,000, as applicable, shall be payable where such revised return is filed beyond the existing nine month period from the end of the financial year.
- Updated return:
  - Proposal to allow filing of an updated return in cases where loss was determined in the original return. The loss cannot increase in the updated return
  - Proposal to permit filing of an updated return of income even after the initiation of reassessment proceedings, provided such return is filed within the period specified in reassessment notice. Incremental income to be subjected to an additional tax of 10 per cent.
- Changes in buyback tax provisions:
  - Proposal to tax the consideration received on buy-back of securities as Capital Gain instead of Dividends
  - Promoters are required to pay additional tax, over and above the regular capital gains tax.

- Rationalisation of TDS/TCS provisions:
  - ‘Supply of manpower’ to be brought within the ambit of ‘work’ thereby attracting TDS at 1 per cent/2 per cent as applicable
  - Reduction of TCS rate to 2 per cent from current 5 per cent on remittances made for education or medical treatment exceeding INR10 Lakhs under the Liberalised Remittance Scheme
  - Reduction of TCS rate to 2 per cent from current 5 per cent/20 per cent on sale of overseas tour programme package irrespective of the amount involved
  - Existing provisions of the new Act provides an option to the assessee to file an application before the tax authorities for obtaining lower/nil TDS/TCS certificate. Proposal to enable electronic application to the prescribed authority and decision to issue/reject to be issued digitally in certain cases.
- Penalty, prosecution and litigation management:
  - Proposal to reduce the pre deposit requirement from 20 per cent to 10 per cent for appeal cases (detailed rules and guidelines are awaited)
  - Decriminalisation/grading of offences: Existing provisions attract rigorous imprisonment up to seven years for several offences. It is proposed to:
    - Shift to simple imprisonment, cap max at two years (three years for repeat)
    - Graded by tax amount; only fine where amounts are small ( $\leq$  INR10 lakh).
    - Full decriminalisation of some technical lapses (e.g., non production in specific contexts).
  - Conversion of ‘Penalty’ into ‘Fee’ for technical failures
    - Failure to obtain tax audit report (Form 3CA/3CD): INR75,000 for delay up to one month and INR150,000 thereafter
    - Failure to furnish the SFT: Fee of INR200 for every day of delay with an upper limit of INR100,000 (no limit in the existing provisions).
  - Proposal to impose penalty for under reporting of income concurrently with the assessment proceedings, with such penalty forming part of the demand raised. However, interest for non payment of the penalty shall be levied only after the disposal of the first appeal proceedings [CIT(A)/ ITAT]
  - Rationalisation of provisions related to unexplained income/ asset/ expense:
    - Reduction in tax rate to 30 per cent from existing 60 per cent
    - No separate penalty for such income and the penalty to be levied in accordance with the regular provisions of penalty.
  - Immunity from penalty to be extended for cases involving mis-reporting of income as well with payment of additional tax (100 per cent/120 per cent)
  - Clarificatory amendments on certain procedural matters concerning assessment and reassessment proceedings
    - Pre re-assessment notices to be issued by Jurisdictional AO and thereafter, the re-assessment proceedings 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 time line to issue the final assessment order excludes time provided for proceedings before the Dispute Resolution Panel, where applicable.
  - Under the existing provisions, a deduction for employees’ contribution to welfare funds (such as PF, ESI, etc.) is allowable only if the contribution is deposited within the due dates prescribed under the respective welfare legislations. The proposal now seeks to allow such deduction where the payment is made on or before the due date for filing the return of income.

## Transfer Pricing:

- Unilateral Advance Pricing Agreements ('APAs')
  - Targeted to be closed within two years, unless extension is requested by applicants.
  - Modified Return of Income allowed to be filed by Associated Enterprise ('AE') pursuant to the concluded APA, enabling refund on the additional taxes paid by AE.
- Clarification on time-limit for completion of assessment under section 144C (Section 144C will determine the timelines instead of section 153 and 153B) – This clarification overrides the judgement on Shelf Drilling and ROCA Bathroom
- Clarification the manner of computation of sixty days for passing transfer pricing order:

Expiry of period of limitation	Date as per existing jurisprudence	Proposed date
31 March (not being a leap year)	29 January	30 January
31 March (being a leap year)	30 January	31 January
31 December	31 October	1 November

- Transfer pricing Penalties for non-filing of Accountants Report of INR1 lac omitted and proposed to be replaced by a 'fee' of:
  - INR50,000 – for a delay up to one month
  - INR100,000 – thereafter.
- Safe Harbour for IT Sector:
  - Uniform markup of 15.5 per cent for service providers in IT, ITeS, KPO and Contract R&D in software development with threshold of INR2000 crores
  - Data Centre Service companies markup of 15 per cent
  - Period of Safe Harbour increased from three years to five years.
- Definition of 'Accountant' is proposed to be rationalised for the purposes of Safe Harbour Rules

## Indirect Tax

### Customs

- 17 cancer drugs exempted from Basic Customs Duty effective from 2 February 2026
- Drugs, medicines and food for special medical purposes when imported for personal use exempted from Basic Customs Duty effective from 2 February 2026 which is used for treatment of seven rare diseases that are part of National Policy for Rare Disease (NPRD) 2021
- Concession/exemption provided vide Notification no. 45/2025- Customs dated 24 October 2025 have been extended by two years (i.e. up to 31 March 2028) for following entries:
  - Lactose for use in the manufacture of homeopathic medicine (Sr. No 61)
  - Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals (Sr. No. 111)
  - Pharmaceutical Reference Standard (Sr. No. 112)
  - Specified goods used for the manufacture of ELISA Kits (Sr. No. 114)
  - Specified goods for the manufacture of orthopedic implants or other artificial parts of the body (Sr. No. 144)

- Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof (Sr. No. 377)
- Hospital Equipment for use in specified hospitals (Sr. No. 382)
- Raw materials, parts or accessories for the manufacture of Cochlear implants (Sr. No. 386)
- X-Ray Baggage inspection systems and parts thereof (Sr. No. 387)
- Portable X-ray machine/system (Sr. No. 388).
- Concession/exemption provided vide Notification no. 45/2025- Customs dated 24 October 2025 lapsing on 31 March 2026 for following entries:
  - Specified goods imported for the manufacture of Copper-T contraceptives (Sr. No. 145)
  - X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use (Sr. No. 370)
  - Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use (Sr. No. 372).
- Concession/exemption provided vide Notification no. 45/2025- Customs dated 24 October 2025 have been withdrawn with effect from 02.02.2026 for following entries:
  - Concessional BCD rate of 5per cent on Artificial Plasma, duty applicable at standard rates (Sr. No. 123)
  - Concessional BCD rate of 10 per cent on other diagnostic or laboratory reagents, duty applicable at standard rates. (Sr. No. 137).
- The validity period of an Advance Ruling order under Customs law from the earlier three years to five years
- Owner of goods allowed to transfer goods from one customs-bonded warehouse to another without requiring prior approval from the proper officer
- Deferred duty payment for eligible importers is extended from 15 days to one month
- Customs Integrated System (CIS) to be rolled out in two years
- Immediate clearance of imported goods not having any compliance requirement post online registration, subject to duty payment
- Manufacturer Importer permitted to make deferred payment of import duty up to the 31 March, 2028.

#### **Goods and Services Tax (GST)**

- Effective from 1 April 2026, the Government is empowered to notify an existing authority (including a Tribunal) to hear appeals against conflicting Advance rulings by different states under section 101B until the National Appellate Authority is constituted.

#### **Amendment effective from date to President assent**

- Place of supply of Intermediary will be governed by location of recipient of service. Amendment is proposed prospective, no relief for ongoing pending litigations.

#### **Amendment effective from date to be notified by Government**

- Requirement of linking the post-sale discount with the corresponding agreement is done away with subject to reversal of input tax credit by recipient. Linkage of original invoice will continue to decide eligibility of Credit note u/s 34 of CGST Act, 2017
- Allowed provisional refund of 90 per cent for refunds arising from Inverted Duty Structure (IDS).

# Implications for the sector

The Union Budget 2026–27 continues reform agenda towards strengthening Indian health sector and position India in global healthcare and biopharma. The Biopharma SHAKTI programme will boost innovation in biologics, biosimilars, and clinical research, supported by new NIPERs and a nationwide clinical trial network. In line with the Heal India initiative, five regional medical hubs will integrate care, education, AYUSH, and rehabilitation, while expanded support for allied health professionals and caregivers. Traditional medicine will be reinforced through new Ayurveda institutes and upgraded AYUSH labs, and district hospitals will see a expansion in emergency and trauma care capacity, easing the burden on vulnerable families that further assist in reducing out-of-pocket expenditure (OOPE) remains one of the biggest challenges in India’s healthcare system, with households still bearing a large share of medical costs despite rising public health allocations

The Budget creates a more predictable and compliance efficient tax environment, encouraging long term investment in biopharma, med tech, and healthcare manufacturing. It positions the health and pharma sector at a strategic intersection of tax reform, fiscal incentives, and healthcare objectives. With corporate tax amendments enhancing clarity and reducing rates, alongside targeted funding for biopharma capabilities, the overall impact is structurally positive, particularly for companies aligning with domestic manufacturing, innovation and global value chains. Collectively, these policies improve tax certainty, enhance regulatory trust, and support the sector’s transition from volume driven generics to innovation led, globally competitive growth.

The Budget provides indirect tax relief through expanded customs duty exemptions for cancer drugs, rare-disease medicines, medical equipment and key inputs, supporting affordability and domestic manufacturing, though the withdrawal of some concessions may raise costs for select products like X-ray equipment and contraceptives. On the GST front, it does not resolve structural inverted duty credit accumulation, indicating continued working-capital blockage despite the availability of provisional refunds under IDS. Customs reforms strongly favor AEO-certified entities through extended deferred duty payment periods, system-driven clearances and faster cargo movement, enhancing supply-chain efficiency and cost optimisation. While the place of supply for intermediary services has been amended prospectively to the recipient’s location, the absence of grandfathering leaves legacy litigation risks unaddressed. The provision of 90 per cent provisional refunds in IDS cases is expected to ease liquidity pressure, particularly for pharma, med-tech and diagnostics. Overall, these measures aim to encourage investment, improve healthcare access, streamline compliance and strengthen India’s global supply-chain position.

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