India Union Budget 2026-27

Point of view

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Transport and Logistics

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Key announcements for the sector

- Public capex rises by ~9% to ₹12.2 lakh crores: Infrastructure remains the growth backbone, with public capex rising from ₹11.2 lakh crore (BE FY2026) to ₹12.2 lakh crore (BE FY2027).
- Healthy allocation for capital outlay to Ministry of Road Transport and Highways: The allocation to MoRTH increased by 8.13% in FY27, rising to ₹2.94 lakh crores (BE FY2027) from ₹2.72 lakh crores in (RE FY2026).
- Robust allocation for capital to Ministry of Railways: The allocation to MoR increased by 10.5% in FY27, rising to ₹2.93 lakh crores (BE FY2027) from ₹2.65 lakh crores in (RE FY2026).
- NHAI's allocation follows a stable trajectory: Allocation to NHAI has risen by 10% to ₹1.87 lakh crores (BE FY2027), from ₹1.7 lakh crores (RE FY2026).
- Launch of Infrastructure Risk Guarantee Fund: Introduction of a partial credit guarantee for infrastructure projects to provide partial risk mitigation during the development and construction phase to improve developer confidence and enhance private sector participation.
- Container Manufacturing Assistance Scheme: Proposed ₹10,000 crore under the Make in India initiative.
- Asset monetisation framework deepens: Building on the success of InvITs and REITs, the Budget proposes to recycle the vast real estate asset base of CPSEs through REITs, to unlock capital for new investment.
- Continued focus on multimodal transport integration for environmentally sustainable freight transportation:
  - Point Expanding the logistics backbone through Dedicated Freight Corridors (DFCs): Given the 100% operationalization of the Eastern DFC and ~96%+ operationalization of the Western DFC, the budget proposed a new DFC connecting Dankuni in the East, to Surat in the West.
  - Policy nudge to encourage modal shift to waterways: 20 new National Waterways (NW) will be developed over next 5 years, starting with NW-5 in Odisha. This will be accompanied by a dedicated ship repair ecosystem catering to inland waterways to be set up at Varanasi and Patna.
  - Increasing coastal shipping's share: Coastal Cargo Promotion Scheme to be launched for incentivising the share of inland waterways and coastal shipping from 6% to 12% by 2047.
  - Environmentally sustainable passenger movement: Focus on sustainable passenger movement with the announcement of 7 new high-speed corridors, enabling efficient passenger movement across high traffic density corridors.
- Targeted digital interventions covering:
  - End to end single, interconnected digital clearance system for cargo approvals across Government agencies.
  - Non-intrusive container scanning using advanced imaging and AI based risk assessment.

Direct Tax

- Shipping and taxation reforms
  - It is proposed to rationalize the tonnage tax scheme provisions to align them with the Inland Vessels Act, 2021 and the rules framed thereunder.
  - To encourage companies to shift to the new corporate tax regime, Minimum Alternate Tax (MAT) credit provisions have been rationalized. MAT is proposed to be made a final tax, with no further MAT credit accumulation from 1 April 2026. The MAT rate is reduced from 15% to 14%. MAT credit accumulated up to 31 March 2026 will remain available for set off.
- Trade facilitation and electronics manufacturing
  - To promote just in time logistics in electronic manufacturing, a safe harbour regime is proposed for non-residents storing components in bonded warehouses, with profit margin fixed at 2% of invoice value, and resultant tax incidence of approximately 0.7%, making India more competitive vis à vis global manufacturing hubs.
- Litigation reduction and penalty rationalization
  - No interest liability on penalty for the period during which appeals are pending before the first appellate authority.
  - The pre deposit requirement for filing appeal is proposed to be reduced from 20% to 10%.
  - Taxpayers will be allowed to update returns even after reassessment proceedings have commenced, by paying an additional tax of 10% over the applicable rate.
  - Penalties for certain technical and procedural defaults are proposed to be converted into fees.
  - Reassessment notices and pre-enquiry will be issued only by the Jurisdictional Assessing Officer, while faceless assessment will apply only after notice issuance, bringing clarity and reducing disputes.
  - Assessments will not be invalidated due to minor technical errors in quoting Document Identification Numbers (DIN), as long as the DIN is referenced in any manner.

Indirect Tax

- Key changes proposed for under GST
  - Section 15(3) of the CGST Act is proposed to be amended to delink post sale discounts from the requirement of a prior agreement or arrangement at or before the time of supply. The amendment clarifies that post sale discounts may be given effect through issuance of credit notes under section 34, subject to the condition that the recipient reverses the corresponding input tax credit attributable to such discount and credit notes are issued within the time frame.
  - Provisional refund mechanism enabled for refund of input tax credit under the inverted duty structure mechanism.
  - The place of supply for intermediary services has been amended from the location of supplier of services to location of recipient of services.
- Key changes proposed for Customs
  - Penalty paid under Section 28(5) of Customs Act,1962 on determination under Section 28(6) of the Customs Act, 1962 by proper officer shall be deemed to be a charge for non-payment of duty.
  - Advance Ruling shall remain valid for 5 years (as against the earlier period of 3 years) or till there is a change in law or facts on the basis on which advance ruling has been pronounced (whichever is earlier).

- The Government will roll out Customs Integrated System (CIS) in 2 years as a single, integrated and scalable platform for all the customs processes.
- In order to facilitate smoother and faster movement of goods during customs clearance, duty-deferral period for Tier 2 and Tier 3 Authorized Economic Operators (AEO) has been extended from 15 to 30 days. Eligible manufacturer importers to get the same duty deferral facility.
- For goods not having any compliance requirement, Customs will clear imports immediately after online registration, subject to duty payment.

Implications for the sector

- Infra buildout remains public-led: Nearly 50% of the increase in public capex is driven by higher capex on roadways and railways, ensuring multi-year visibility for the transport infrastructure pipeline.
- NHAI's allocation on a stable trajectory: The 10% growth in support for NHAI enables continued focus on deleveraging even as it maintains its operational pace and builds on execution capacity.
- Introduction of Infrastructure Risk Guarantee Fund: Partial-credit guarantees backed by the announced guarantee fund is expected to lower construction-phase risk. Deft use of calibrated risk instruments helps in derisking of greenfield projects at the construction & development stage and help attract private sector participation.
- Domestic container manufacturing to augment trade: The investment is aligned with the target to develop 1 million TEUs of annual domestic manufacturing capacity over the 10 years, which would open greenfield PPP opportunities for strategic and financial investors.
- Asset monetisation framework deepens: The REIT/InvIT push will help in recycling the vast land-asset base of the CPSEs and unlock capital for them to undertake new projects and create larger, liquid platforms for long-term investors.
- Reaffirming the multimodal transport integration to drive efficient and sustainable logistics movement: As the East and West DFCs approach near complete operationalization, the time is ripe for a rapid buildout of the DFC connecting Dankuni in the East, to Surat in the West. Connecting the East-West DFCs with existing Western and Eastern DFCs will further improve rail connectivity to all the major container ports making these convergence districts (Dadri, Surat, and Dankuni) as major multi-modal logistics hubs.
- High-speed rail corridors: The proposed 7 HSR corridors enable efficient passenger movement across high passenger traffic density areas. With Ahmedabad–Mumbai also under construction, delivering seven new routes will require phased sequencing, firm financing, and execution capacity safeguards.
- Improvement in overall network performance over the longer term: The planned shift of passenger traffic to High-speed rail (HSR) corridors and expansion of dedicated freight corridors should free up core rail capacity, reduce freight transit time and cost, and improve end to end supply chain reliability.
- Waterways integration: New waterways and coastal-cargo over the longer term can reduce logistics costs and encourage the shift of freight from road and rail to cleaner inland water transport
- Fiscal discipline underwrites infra credibility: The 4.3% Fiscal Deficit ensures predictable funding for multi-year programs, anchoring lower risk premia for long-tenor infra financing and bond market appetite.
- Digital interventions to enable reduction in turnaround time at ports through faster cargo release, lower transaction costs, reduced delays, and strengthened trade competitiveness of Indian ports.

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