



# Pre-Budget Expectations

With India now established as the world's fourth-largest economy, the focus has shifted from mere pandemic recovery to long-term structural transformation under the *Viksit Bharat* (Developed India) vision.

The government needs to maintain fiscal consolidation (targeting a deficit below 4.5% of GDP) while simultaneously boosting capital expenditure to offset global headwinds like US tariffs and supply chain shifts.

## Personal Finance & Income Tax:

**After the major overhaul in 2025, experts expect "fine-tuning" rather than a total redesign.**

### Standard Deduction:

There is a strong push to increase the standard deduction from ₹75,000 to ₹1,00,000 for salaried employees to combat inflation.

### Tax Slab Adjustments:

The industry is advocating for the 30% tax bracket to kick in at a higher threshold (potentially ₹30 lakh) to provide relief to the middle class.

### Home Loans:

Expectations are high for an increase in the interest deduction limit under Section 24(b) from the current ₹2 lakh, which has remained unchanged for a decade, now under old tax regime.

### LTCG Relief:

Investors are hoping for an increase in the tax-exempt limit for Long-Term Capital Gains (LTCG) from ₹1.25 lakh to ₹2 lakh.

## Key sectoral expectations

**Infrastructure & Logistics:** The "Capex-led growth" model is expected to continue, though the focus is shifting.

- **New Capex Target:** Central capital expenditure is expected to grow by ~10% to nearly **₹12.4 trillion** (3.1% of GDP).
- **Beyond Roads & Rails:** While traditional infra remains a priority, 2026 is expected to see a massive pivot toward **Nuclear Energy, Grid Expansion, and Critical Mineral mining**.
- **Railway Focus:** With many railway stocks correcting in 2025, the market is looking for increased allocations for high-capacity freight corridors and safety tech (Kavach).
- **Urban Transformation:** High expectations for a new "Urban Challenge Fund" to modernize tier-2 and tier-3 cities.

### Manufacturing & Electronics

- **PLI 2.0:** The industry is seeking an expansion of the Production Linked Incentive (PLI) schemes to new areas like **robotics, AI, and rare-earth magnets**.
- **Customs Duty Rationalization:** Calls to fix "inverted duty structures" where raw materials are taxed higher than finished goods, particularly in electronics and appliances.

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### Agriculture & Rural Economy

- **Climate-Smart Farming:** Expectations for incentives supporting weather-resilient crops and sustainable irrigation (Drip/Micro-irrigation).
- **Credit Access:** Proposed increase in **Kisan Credit Card (KCC)** limits from ₹3 lakh to ₹5 lakh to tackle rising input costs.
- **Agri-Tech & Allied Sectors:** Focus on funding for drones, cold storage, and "Blue Economy" (fisheries) to diversify rural income.

### Banking & Financial Services (BFSI)

- **Tax Parity for Deposits:** Banks (led by SBI) are pushing for tax treatment on FD interest to be aligned with Capital Gains (LTCG/STCG) to boost sagging deposit growth.
- **FinTech Regulation:** Expectations for a "FinTech Bill" to provide a clearer regulatory sandbox and simplify KYC norms for small loans.
- **Voting Rights:** Discussions around raising the 26% voting rights cap in private banks to attract more global FDI.
- **MSME Support:** Demand for enhanced credit guarantees and easier compliance to

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## Energy & Renewables

- **Green Hydrogen & Storage:** Industry players want Viability Gap Funding (VGF) for **Battery Energy Storage Systems (BESS)** and indigenous hydrogen tech.
- **Transmission Infrastructure:** Faster rollout of the Central Transmission Utility (CTU) lines to ensure power from solar/wind farms reaches the grid.
- **Nuclear Push:** Calls to put nuclear power on par with "Green Energy" for easier access to green financing.
- **EV Ecosystem:** Expectations include a GST rationalization (uniform 5% rate) for all EV components and battery-as-a-service models.
- **AI & Semiconductors:** More funding for the PLI (Production Linked Incentive) scheme to support domestic chip fabrication and AI-driven digital public infrastructure.

## IT & Startups

- **ESOP Tax Relief:** Nasscom is pushing to extend ESOP tax deferment to all DPIIT-recognized startups, not just a select few.
- **AI & Deep-Tech:** Targeted incentives for R&D in Artificial Intelligence and longer gestation support for deep-tech hardware startups.

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## Healthcare & Pharma

- **Infrastructure Status:** A long-standing demand to grant "Core Infrastructure" status to healthcare, allowing hospitals to access cheaper, long-term credit.
- **Spending Increase:** NATHEALTH has urged the government to move public health spending toward **2.5% of GDP** (currently ~1.9%).
- **Preventive Tax Breaks:** Proposals to increase the tax deduction for preventive health check-ups to ₹10,000 to combat the rise in non-communicable diseases.

# Sectors Policy to Watch

Sector	Expected Impact / Trigger
Defence	15% expected rise in capex; focus on indigenization (HAL, BEL, BDL).
Power & Renewables	Shift toward transmission, green hydrogen, and nuclear energy (NTPC, L&T).
Consumer Goods	Potential tax relief could boost "wallet share" for urban and rural consumption.
Logistics	Rollout of Multi-Modal Logistics Parks under PM Gati Shakti (Concor).
Banking	Expected fiscal deficit target of 4.3% would signal stability and lower borrowing costs.

## Summary

The "hidden" theme of this budget will likely be **resilience**. With global trade volatility (the "Washington Tariff" effect), the government is expected to double down on **domestic consumption** and **import substitution**. Keep a close watch on the **RBI dividend**—economists expect a massive payout (up to ₹3 lakh crore) which could give the finance minister the "fiscal space" to spend without blowing the deficit.



**Thank You**

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