Key announcements for the sector

Direct Tax

- Introduction of specific section clarifying merger of two non-profit organisations registered with same or similar objects and fulfilling prescribed conditions will not attract tax on accreted income.
- Increase in the tax-holiday period for Indian Financial System Code (IFSC) units from 10 consecutive years out of first 15 years to 20 consecutive years out of first 25 years. Thereafter, business income is taxable at lower rate of 15 per cent.
- Time-limit to file revised return increased from 9 months from end of the tax year to 12 months, enabling revision of belated returns as well.
- Reduction in Tax Collected at Source (TCS) rate for pursuing education under the Liberalised Remittance Scheme (LRS) to be reduced from 5 per cent to 2 per cent.
- TCS rate from 5 per cent to 2 per cent applicable on amount remitted under LRS for the purpose of education or medical treatment.
- Supply of manpower now specifically included in the definition of 'work' and subject to Tax Deducted at Source (TDS) rate of 1 per cent / 2 per cent.

Indirect Tax

Customs

- Legislative changes in Customs Act, 1962
  - 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-II and Tier-III Authorised 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.

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Other Changes

- Amendment in the Rate of Customs Duty / Tariff (Changes effective from 2 February 2026)
  - Exemption on CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers falling under this chapter has been removed the same will attract Basic Customs Duty (BCD) at 10 per cent w.e.f. 2 February 2026.
- Goods and Services Tax Law
  - Section 15(3) of the Central Goods and Services Tax (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.

Policy announcements

- School Education:
  - The allocation for the Department of School Education and Literacy has risen from INR 78,572 crore in 2025–26 to INR 83,561.41 crore this year, marking an increase of around 6.35 per cent.
  - Indian Institute of Creative Technologies (IICT), Mumbai will set up content creator labs in 15,000 secondary schools to train students in Animation, Visual Effects, Gaming, and Comics (AVGC).
- Higher Education
  - The Department of Higher Education has also seen a jump, with its allocation increasing from INR 50,078 crore to INR 55,724.54 crore, a rise of approximately 11.28 per cent.
  - Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) scheme with an outlay of INR 10,000 crore over five years, will establish a Biopharma network by creating three new National Institute of Pharmaceutical Education and Research (NIPERs) and upgrading 7 existing ones. It will also create a network of over 1,000 accredited Indian Clinical Trials sites.
  - Five University Townships near major industrial/logistic corridors, hosting multiple universities, colleges, research institutions, skill centres, and residential complexes are to be created.
  - One girls' hostel to be established in every district for Science, Technology, Engineering and Mathematics (STEM) institutions, supported through Viability Gap Funding/capital support.
  - Establishment of a new National Institute of Design to boost design education and development in the eastern region of India.
  - Loan-linked subsidy scheme to establish veterinary/para-vet colleges, hospitals, labs, breeding facilities to scale up the availability of veterinary professionals by more than 20,000 professionals.
  - Three new All India Institutes of Ayurveda to be established.
  - AYUSH (Ayurveda, Yoga and naturopathy, Unani, Siddha, and Homeopathy) pharmacies and drug testing labs are to be upgraded for higher standards of certification ecosystem and make more skilled personnel available. The WHO Global Traditional Medicine Center in Jamnagar to be upgraded to bolster evidence-based research, training and awareness for traditional medicine.
  - A National Institute of Hospitality to be set up by upgrading the existing National Council for Hotel management and Catering Technology.

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- IICT, Mumbai will set up content creator labs in 500 colleges to train students in AVGC.
- A NIMHANS 2.0 (National Institute of Mental Health and Neurosciences) will be set up in north India for mental healthcare. The National Mental Health Institutes in Ranchi and Tezpur to be upgraded as regional Apex institutions.
- A new scheme will support states in setting up five regional medical hubs with private sector partners, combining medical, educational, and research facilities. These hubs will include AYUSH and medical tourism centres, and provide diagnostics, post-care, and rehabilitation infrastructure.

- Skilling
  - The allocation for the Ministry of Skill Development and Entrepreneurship has risen from INR 6,100 crore in 2025–26 to INR 9,885.80 crore this year, marking an increase of around 62.06 per cent.
  - Samarth 2.0 has been announced to modernise and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions.
  - Existing institutions for Allied Health Professionals (AHP) to be upgraded and new AHP institutions to be established in private and government sectors. This will cover 10 selected disciplines, including optometry, radiology, anesthesia, OT Technology, Applied Psychology and Behavioural Health and add 1,00,000 AHPs over the next 5 years.
  - A strong Care Ecosystem, covering geriatric and allied care services will be built. A variety of National Skill Qualification Framework (NSQF)-aligned programmes will be developed to train multiskilled caregivers combining core care and allied skills, such as, wellness, yoga and operation of medical and assistive devices. In the coming year, 1.5 lakh caregivers will be trained.
  - Pilot scheme to upskill 10,000 guides in 20 iconic sites via standardised 12-week hybrid training course, in collaboration with an Indian Institute of Management (IIM).
  - Divyangjan Kaushal Yojana has been announced to ensure dignified livelihood opportunities through industry-relevant training for persons with disabilities in IT, AVGC, hospitality, food & beverages.
  - The Budget announced 20 new national waterways to be operationalised in five years, with regional training institutes to develop skilled manpower. Ship repair hubs will be established at Varanasi and Patna.
  - Government will facilitate professional institutions such as Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), Institute of Cost Accountants of India (ICMAI) to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras', especially in Tier-II and Tier-III towns.
- Entrepreneurship
  - A dedicated INR 10,000 crore SME (Small and Medium Enterprises) Growth Fund to create future Champions, incentivizing enterprises based on select criteria.
  - Self-Help Entrepreneur (SHE) Marts will be set up as community-owned retail outlets within the cluster level federations through enhanced and innovative financing instruments.
- Others
  - Education to Employment and Enterprise Standing Committee to be set up to recommend measures that focus on service sector as core driver of Viksit Bharat to achieve the aim of India becoming a global leader in services with 10 per cent global share by 2047. The committee will prioritise areas to optimise potential for growth, employment and exports. It will also assess the impact of emerging technologies, including AI on jobs and skill requirements.
  - The government has announced plans to set up a National Destination Digital Knowledge Grid to digitally document places of cultural, spiritual and heritage importance.

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Major shift in education, skilling, employment programmes - creating pathways for youth

This budget has shown a marked shift at a policy level since the National Education Policy (NEP 2020) in the education and skilling landscape in India. While education is more aligned towards employability and relevance to Industrial growth, skilling programmes have been directly linked to those job roles that required/will soon require a spurt in growth.

While regular expansions in apex institutions such as IITs, AIIMS, NIMHANS etc., have been included, a plethora of new institutions aimed at bringing youth into those job roles and sectors that will provide employment has been a welcome direction. This is also significant in a carefully thought-out plan to include all those sectors and jobs that will take us close to the Viksit Bharat goals. For example, establishment of an institution such as IICT – KPMG in India is proud to be associated with it since its conceptualisation through creating this apex institution. Apart from this, setting up of content labs across K-12 schools and higher education institutions through IICT is purpose-driven and outcome-oriented.

The new institution for design, very aptly to be situated in the Eastern region will leverage the indigenous orientation of the region with the technological advancements to bring out unique design thinking from India to the world.

Creation of more NIPERs, AYUSH & Ayurveda institutions, additional NIMHANS, training of paramedics and allied health professionals, upskilling caregivers – all of them are going to significantly boost employment – in the much-needed healthcare sector, which will help cater to global job opportunities as well. The Biopharma SHAKTI mission will do the same with pharma sector. Added to this will be regional medical hubs where youth are trained in medical tourism and promotion. This integrated way of looking at skilling, education and sectoral growth is a welcome change in approach in this year's budget.

Rightly tracking the job opportunities in the hospitality and tourism sector, a new institution – an Institute of National Importance (INI) – in this space has been created. This would be a catalyst to bring more institutions catering to this sector. The upskilling of tourism guides – cleverly involving IIMs – will link our apex institutions with those sectors that will directly bring more jobs.

Announcement of five new University Townships near industrial and logistics hubs is again in the same direction. This is a great move that will bring about the much-needed academia-industry collaboration in a meaningful way. Institutions here can align their courses with industry requirements and have research programmes that will cater to their requirements. Apart from job orientation, this will also give an opportunity to people from industry to leverage – possibly to teach and do joint research with academic institutions. Globally, starting from Silicon Valley in the U.S. to Hsinchu Science Park in Taiwan, this model has been extremely successful.

Skill development has been emphasised and integrated into labour intensive sectors like textiles, leather products, toys, healthcare, agriculture, entertainment, logistics, tourism, etc. This is another significant shift from the standalone skilling programmes of the past. Combined with Pradhan Mantri Skilling and Employability Transformation through Upgraded Industrial Training Institutes (PM-SETU) – which was announced earlier – bringing Industry to lead the Industrial Training Institutes (ITIs) a clear shift in the vocational and skill development programmes is visible.

This budget also has some positive announcements on bringing women into the workspace – starting with facilitating them to get into STEM education - providing the much-needed infrastructural support though district-wise hostels. This will have a far-reaching impact on the socio-economic fabric of the society, apart from providing the much-needed skilled labour for sunrise sectors.

Equally important is Divyangjan Kaushal Yojana in bringing an inclusive growth and leveraging the youth potential in the country.

Job creators have been given a big boost in this budget. Apart from the SME growth fund – especially for the manufacturing sector, Corporate Mitras – accredited paraprofessionals have been introduced to strengthen the segment. SHE-Marts provide opportunities for rural women-entrepreneurs to participate in the larger economic agenda.

The high-powered ‘Education to Employment and Enterprise’ Standing Committee will ensure that the initiatives in this and subsequent budgets have a sustained impact. The budget has also provided much-needed emphasis on service sector – setting ambitious goals of capturing 10 per cent of global share by 2047. The simultaneous promotion of manufacturing and services is very encouraging and sets the tone for our journey towards Viksit Bharat.

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