

## Summary of talk by : Mr. Nandha Kumar – CEO – Nanwin Energy LLP

Mr. Nandha Kumar presented a comprehensive overview of Union Budget 2026, with a specific focus on energy and MSME sectors, while also highlighting broader macroeconomic trends, key positives, and critical gaps.

He highlighted that the Budget reflects strong fiscal discipline, with capital expenditure pegged at ₹12.2 lakh crore, marking a 9% increase over the previous year, and a fiscal deficit target of 4.4% of GDP, which places India in a better position than the OECD average. This level of fiscal prudence, he noted, is essential to sustain long-term capital spending and economic stability.

A major positive takeaway is the continued infrastructure push, which is expected to drive investment, employment generation, and economic growth. Key infrastructure initiatives include:

- Development of Tier-2 and Tier-3 cities, with ₹5,000 crore allocated per city over five years
- Expansion of high-speed rail corridors, beyond the Mumbai–Ahmedabad project
- Significant waterway expansion, including 20 new national waterways

On the tax front, he welcomed reforms aimed at improving compliance and widening the tax base, such as:

- Extension of return filing timelines without penalties
- Reduction in TCS for overseas education and medical travel from 5% to 2%
- Reduction in Minimum Alternate Tax (MAT) from 15% to 14%

From a global comparison perspective, he pointed out that India's infrastructure investment at 4.4% of GDP is among the highest globally, supported by a Gross Capital Formation of 34–35%, indicating strong capital absorption. However, he cautioned that global infrastructure funding gaps remain large, underscoring the need for sustained investment.

On the negative side, Mr. Nandha Kumar flagged several concerns:

- No direct income tax relief for the middle class
- Increase in Securities Transaction Tax (STT), which has adversely impacted capital markets, particularly derivatives
- Continued compliance burden, with nearly 480 provisions carrying imprisonment clauses, raising costs for businesses (₹13–18 lakh annually)
- Cuts in social sector spending, including rural development, agriculture, education, health, and social welfare
- Execution challenges, as the previous year's capital expenditure fell short of targets by ₹0.6 lakh crore

Regarding tax revenue, he observed that India's tax-to-GDP ratio remains low at 11.5%, compared to OECD nations (33–34%), reinforcing the government's emphasis on widening the tax base rather than raising rates.

In the energy sector, he noted strong policy momentum in solar, green hydrogen, and nuclear energy. The enactment of the SHANTI Act is expected to unlock ₹55 lakh crore in nuclear investments over the next 5–7 years. While renewable capacity has crossed 50% of installed capacity, he stressed that significant progress is still required.

For the MSME sector, he highlighted positive measures including:

- ₹10,000 crore MSME Growth Fund
- Enhancement of credit guarantee cover to ₹10 crore
- Expansion of TReDS, with transactions crossing ₹7 lakh crore
- Introduction of MSME credit cards with a ₹5 lakh limit

Overall, Mr. Nandha Kumar concluded that Budget 2026 is structurally strong and growth-oriented, particularly for infrastructure, energy, and MSMEs. However, he emphasised that compliance simplification, social sector balance, and effective execution remain key challenges that need continued policy attention.

### **Summary of talk by : Ms. Sindhu Bharathi – Senior Trade Economist, Coimbatore**

Ms. Sindhu Bharathi presented an economist's perspective on Union Budget 2026, describing it as a long-term, foundation-building budget rather than a headline-driven or populist one. She emphasised that India currently enjoys a phase of macroeconomic stability, with GDP growth of 6–7%, controlled inflation, and a historically low fiscal deficit of around 4.3–4.4% of GDP. According to her, the budget rightly builds on this stability to prepare the economy for the next stage of growth.

She noted that unlike previous budgets that focused on demand stimulation through tax cuts, Budget 2026 deliberately avoids short-term measures and instead concentrates on sustaining growth momentum. The government's priorities, she explained, can be grouped into four broad areas: infrastructure, financial system strengthening, manufacturing competitiveness, and future-ready services and employment.

A key pillar of the budget, she highlighted, is infrastructure development, including roads, railways, and waterways. Such investments are essential for sustaining long-term growth and improving economic efficiency. Waterway expansion, in particular, was highlighted as a cost-effective logistics solution that supports trade and competitiveness.

On the financial system, Ms. Sindhu stressed that lessons from the Asian Financial Crisis have shaped current policy thinking. She welcomed the government's focus on banking and financial sector reforms, pointing out that non-performing assets have fallen to record lows (around 0.5%), indicating a much stronger and more resilient financial system capable of withstanding future shocks.

A major theme of her address was the need for India to move up the global value chain in manufacturing. She explained that while India has achieved success in high-volume, low-value manufacturing, its share in high-value segments remains limited. Using examples from pharmaceuticals, semiconductors, agriculture, textiles, and automobiles, she illustrated how India dominates volume production but captures only a small share of global value. She

argued that the budget's focus on biopharma strategy, semiconductor mission 2.0, rare earth corridors, and advanced manufacturing is timely and necessary to address this structural issue.

She particularly highlighted India's paradox in semiconductors—while 20% of global semiconductor design engineers are based in India, the country remains largely confined to assembly and testing, which accounts for the lowest value addition. Budget initiatives aimed at expanding India's role across the semiconductor value chain were therefore seen as a critical inflection point.

In the services sector, she noted that India remains strong in IT and IT-enabled services but continues to operate at the lower end of the value chain. She welcomed measures such as long-term tax holidays for data centres and investments in digital public infrastructure, which could help India transition into high-value services such as cloud computing, fintech, and advanced digital platforms, while also supporting data localisation and strategic autonomy.

On employment and skilling, Ms. Sindhu emphasised that with macroeconomic stability achieved, the next challenge is job creation for a growing workforce. She appreciated the budget's focus on skilling, upskilling, healthcare, medical tourism, traditional medicine, tourism services, and emerging sectors such as AI, which signal a shift from conventional sectors to future-oriented industries.

She also placed the budget in the context of ongoing structural reforms, including GST reforms, labour codes, and multiple Free Trade Agreements (FTAs) with the UK, EU, and the US. These reforms, she noted, aim to boost exports, strengthen domestic consumption, and integrate India more deeply into global value chains.

In conclusion, Ms. Sindhu Bharathi described Budget 2026 as a decisive shift from traditional, demand-driven policymaking to a future-focused, competitiveness-led approach. From an economist's viewpoint, she saw no major "misses", stating that the budget aligns well with India's current growth stage and long-term development aspirations, particularly in manufacturing, services, infrastructure, and employment generation.

### **Summary of talk by – Mr. Shantha Kumar, President, India Tax Payer**

Mr. Shantha Kumar began by introducing India Tax Payer, emphasizing that it is a citizen-led association of actual taxpayers, unlike conventional tax bodies dominated by auditors or lawyers. While professionals are part of its membership and executive committee, the core philosophy is to represent the voice of ordinary taxpayers who directly bear the tax burden.

He explained that India Tax Payer functions primarily as an advocacy and think-tank body, engaging with governments and regulators at the central, state, and sectoral levels (including GST authorities, RBI, IRDA, and electricity regulators). The association focuses on

systemic reforms rather than isolated issues, with the objective of improving governance efficiency through policy-level changes.

As an example, he cited the GST review exercise conducted after seven years of implementation, where insights from multiple stakeholders were compiled into a structured report with the support of a knowledge partner and formally presented to the GST department. Similar representations—both solicited and unsolicited—are regularly submitted to authorities.

The overarching goal of India Tax Payer, he noted, is “minimal taxation and maximum benefits”, aimed at reducing the cost of governance while improving outcomes for citizens. He encouraged participants to engage with the association and consider becoming members.

### Observations on Union Budget

Mr. Shantha Kumar highlighted that the Union Budget should be viewed not only as a policy document but also as an expenditure statement, where outcomes depend on actual spending rather than allocations alone. Drawing from previous-year data, he pointed out significant underutilisation of funds:

- Education spending fell short by about 5%
- Healthcare saw nearly 8% underutilisation
- SC/ST welfare funds were underutilised by nearly 25%
- OBC welfare by around 17%
- Women and gender welfare by about 11%

Conversely, certain heads exceeded budget estimates, notably state devolution, food subsidies, and interest payments. He expressed concern over the rising interest burden, which now consumes a growing share of the budget, limiting fiscal flexibility.

Another key concern raised was the practice of introducing numerous legislative amendments (around 37–40) through the Finance Bill, which often escape adequate parliamentary scrutiny. He suggested that such amendments should be presented separately to ensure transparency and informed debate.

### Overall Assessment

While the budget does not introduce major disruptive changes in taxation—providing stability and continuity—Mr. Shantha Kumar stressed the importance of evaluating it alongside broader developments such as the Economic Survey and the upcoming New Income Tax Act (effective 1 April 2026). He welcomed the move to a single financial year concept, which simplifies compliance.

In conclusion, he noted that the absence of major adverse changes offers comfort to businesses and taxpayers alike, and he invited participants to engage in an open discussion on the budget’s hits, misses, and implementation challenges.

## Q & A Session – Report Summary

Mr. Shantha Kumar, President – India Tax Payer

Panelists: Mr. Nandhakumar | Ms. Sindhu Bharathi

### Question Raised

Mr. Shantha Kumar initiated the Q&A session with a question on the Digital Rupee (e₹ / eRupee), focusing on:

- Its practical usability compared to UPI
- Offline transaction capability using near-field communication (NFC)
- Whether and how the Union Budget encourages the adoption of eRupee
- Its potential role in the future digital payments ecosystem

### Response by Mr. Nandhakumar

Mr. Nandhakumar stated that the introduction of a sovereign digital currency is a welcome and progressive move, aligning with global trends where countries are exploring digital denominations.

### Key points highlighted:

- India's success with UPI demonstrates the country's readiness for digital payment innovation.
- The Digital Rupee could become a game changer, complementing existing digital payment systems.
- However, there are serious challenges that need attention:
  - Cybersecurity risks in a virtual money ecosystem
  - High energy consumption of data centres required for reconciliation and validation of digital transactions
  - Sustainability concerns, as such infrastructure must operate 24x7
- While offline transactions are possible, backend systems still depend on data centres, which are power-intensive.

### Conclusion:

The development is promising, but adoption should be gradual and cautious until the system proves its reliability, security, and sustainability at scale.

Response by Ms. Sindhu Bharathi

Ms. Sindhu Bharathi explained that the Digital Rupee is still in an expanded pilot phase, with efforts underway to integrate it with UPI-like platforms to improve accessibility.

Key points highlighted:

- The Digital Rupee pilot has been evolving since around 2022.
- Key challenges remain:
  - Infrastructure readiness and power costs
  - Privacy and traceability concerns, which differ significantly from cash and UPI
- Public confidence is still limited due to uncertainty around how transactions are tracked and stored.
- While UPI has been highly effective in financial inclusion and DBTs, the role of the Digital Rupee in:
  - Subsidy delivery
  - Government benefit transfers
  - Daily retail transactionsremains unclear.

Conclusion:

Wider adoption may take a few more years, and at present, there is no clear basis for judging its large-scale impact.

### **Extended Discussion – Indian Energy Stack**

Mr. Shantha Kumar expanded the discussion by linking digital currency infrastructure to developments in the energy sector, particularly the emergence of the Indian Energy Stack (IES).

Key observations:

- The Indian Energy Stack is being positioned as the “UPI of the energy sector”.
- It aims to create a unified, API-driven platform connecting generators, distributors, and consumers.
- Once fully implemented, it could enable:
  - Direct power purchase by consumers, including households
  - Private power sourcing and trading
  - Real-time energy markets
- This could significantly transform power access, efficiency, and transparency.

Mr. Nandhakumar added that similar energy-stack frameworks already exist globally (UK, US, etc.) and are essential for real-time power markets and online energy transactions.

## **Overall Summary**

The Q&A session highlighted that while Digital Rupee and Indian Energy Stack initiatives represent forward-looking reforms, their success depends on:

- Robust infrastructure
- Cybersecurity and privacy safeguards
- Sustainable energy availability
- Public confidence and regulatory clarity

The panel agreed that these initiatives are directionally positive, but their real impact will unfold gradually as systems mature and adoption stabilizes.