3. Finance Bill 2026- Polity

The passage of the Finance Bill, 2026 by the Lok Sabha marks the formal legislative conclusion of the Union Budget process for the 2026-27 financial year. This bill serves as the legal vehicle for the government to implement its taxation strategy and fiscal policy.

1. Background

What is the Finance Bill?

The Finance Bill is a Money Bill introduced annually in the Lok Sabha immediately after the presentation of the Union Budget. It embodies the "taxation" side of the budget.

Constitutional Authority - It is introduced under Article 110 of the Constitution of India.

Legal Scope - It gives legal effect to the government's proposals relating to the imposition, abolition, remission, alteration, or regulation of taxes.

Core Components -

1. Provisions for direct taxes (Income Tax, Corporate Tax).
2. Provisions for indirect taxes (Customs, Excise).
3. Amendments to existing tax statutes (e.g., Income Tax Act, 1961).
4. Policy shifts in financial regulations.

Key Economic Terms to Know

Tax Collected at Source (TCS) - Under Section 206C of the Income Tax Act, the seller collects a specific percentage of tax from the buyer at the time of sale and deposits it with the government.

Securities Transaction Tax (STT) - A direct tax levied on the purchase and sale of securities (stocks, futures, options) traded on recognized Indian stock exchanges, introduced originally in 2004.

Fiscal Deficit - The gap between the government's total expenditure and its total non-borrowed receipts (revenue + non-debt capital receipts).

2. Comparison - Finance Bill vs. Appropriation Bill

While both are classified as Money Bills and are essential to the Budget, they serve opposite functions in the "input-output" of the Consolidated Fund of India.

Feature	Finance Bill	Appropriation Bill
Constitutional Article	**Article 110**	**Article 114**
Primary Purpose	Deals with Revenue Generation (Taxation proposals).	Deals with Expenditure (Withdrawal of funds).
Timing	Introduced after the Budget presentation.	Introduced after the Demands for Grants are voted upon (Article 113).
Amendments	Members can propose amendments to tax rates or provisions.	No amendments are allowed, as it only seeks approval for already voted expenditure.
Function	Authorizes the government to collect money.	Authorizes the government to spend money from the Consolidated Fund.

3. Key Tax and Financial Highlights of 2026

The Finance Bill 2026 focuses on sector-specific growth and rationalizing transaction costs.

Sectoral Support

Technology & Infrastructure - Dedicated support for digital infrastructure and electronics manufacturing.

Traditional & Strategic Industries - Focus on marine products, leather, and critical minerals.

Energy - Strategic investments in nuclear energy.

Direct & Indirect Tax Changes

TCS Reductions - Tax Collected at Source for overseas tour packages, medical remittances, and education (under the Liberalised Remittance Scheme - LRS) has been slashed to 2%.

Customs Exemptions - To lower healthcare costs, basic customs duty is removed for 17 life-saving cancer drugs.

Corporate Buybacks - Share buybacks are now classified as capital gains for tax purposes, with promoters facing an additional buyback tax.

Market Regulation (STT Hikes)

Futures - STT increased from 0.02% to 0.05%.

Options - STT increased to 0.15%.

4. Fiscal Estimates and Strategic Principles

The Five Guiding Principles

Trust-based Administration - Reducing litigation and simplifying compliance.

Ease of Living - Tax measures aimed at benefiting common citizens.

Empowerment - Specifically targeting MSMEs, farmers, and cooperatives.

Global Hub Status - Making India an attractive destination for international business.

Trade Facilitation - Streamlining customs reforms for seamless international trade.

Budgetary Projections for FY 2026-27

The 2026 Bill outlines a path toward fiscal consolidation -

Total Expenditure - Projected at ₹53.47 lakh crore (a 7.7% annual increase).

Capital Expenditure (CapEx) - Proposed at ₹12.2 lakh crore to drive infrastructure growth.

Revenue Generation - Gross tax revenue is estimated at ₹44.04 lakh crore.

Borrowing - Gross borrowing pegged at ₹17.2 lakh crore.

Fiscal Deficit Goal - Projected to drop to 4.3% of GDP (down from 4.4% in the previous fiscal year).

5. Significance of the Bill

The passage of the Finance Bill is critical because -

Legal Sanction - Without it, the government cannot legally collect taxes under Article 265.

Revenue Mobilization - It ensures the state has the necessary funds to implement developmental schemes.

Economic Signalling - By adjusting STT and corporate taxes, the government signals its stance on market volatility and corporate governance.

Source - https -//www.newsonair.gov.in/fm-nirmala-sitharaman-asserts-government-empowering-msmes-farmers-and-cooperatives-to-boost-jobs-and-overall-development/