Preparing Budget 2027-28: Finance Ministry's first pre-Budget meeting, economists weigh in on LTCG



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Why in News

On 16 November 2026, the Ministry of Finance began pre-Budget consultations for the Union Budget 2027-28. In the first meeting, chaired by Finance Minister Nirmala Sitharaman, leading economists took part and presented views on issues such as the 12.5% long-term capital gains (LTCG) tax rate, fiscal consolidation and inflation. The Union Budget is generally presented on 1 February; a specific 2027 date should be treated as scheduled only after an official announcement.

Introduction: what are pre-Budget consultations

Pre-Budget consultations: Part of the formal budget-making process, in which the Finance Minister successively seeks suggestions from various stakeholders - economists, industry, farmers' organisations, trade unions and state finance ministers. Suggestions are also invited from the general public through the Finance Ministry's website. The Budget is presented as the Annual Financial Statement under Article 112 of the Constitution.

Main Body: key issues at the meeting

- **LTCG (long-term capital gains tax):** Economists differed on the 12.5% LTCG rate on equities - some supported retaining it, others suggested changes; no consensus emerged.
- **Fiscal deficit:** Discussion on the fiscal deficit target of 4.3% of GDP for financial year 2026-27 and the consolidation path ahead.
- **Inflation:** Talks on price stability in the context of retail inflation (CPI) crossing 6% in October 2026 for the first time in two years.
- **Growth and investment:** Suggestions on economic growth, capital expenditure (capex) and the investment climate.

Economic backdrop

The pre-Budget meetings come at a time when inflation has crossed the RBI's tolerance band (6%) on the one hand, and the government is on a path of reducing the fiscal deficit on the other. Balancing growth and stability amid global uncertainty will be the main challenge for Budget 2027-28.

Exam relevance

For Prelims: The budget process (Article 112), pre-Budget consultation stakeholders, the current LTCG rate (12.5%) and the fiscal deficit target (4.3% of GDP for FY27) are direct question areas.

For Mains: Fiscal consolidation versus growth spending, tax reform and the structure of capital gains taxation, and inflation management - GS-III analysis.

Way Forward

Meetings with industry, agriculture, trade unions and states will follow in the coming weeks; the Economic Survey 2026-27 will be tabled before the Budget. The final shape of tax proposals and spending priorities will emerge in the February Budget.

Prelims Practice Questions

Q1. With reference to the pre-Budget consultations for the Union Budget 2027-28, consider the following statements:
Statement 1: The first meeting with economists was chaired by Finance Minister Nirmala Sitharaman
Statement 2: There was complete consensus among economists on the 12.5% LTCG rate at the meeting
Statement 3: The fiscal deficit target for financial year 2026-27 is 4.3% of GDP

Which of the statements given above is/are correct?

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Answer and Explanation

Correct answer: (c) 1 and 3 only

Explanation: Statement 1 is correct: the Finance Minister chaired the meeting on 16 November 2026. Statement 2 is incorrect: economists remained divided on the 12.5% LTCG rate and no consensus emerged. Statement 3 is correct: the FY27 fiscal deficit target is 4.3% of GDP.

Q2. Under which Article of the Constitution is the Union Budget presented in India as the 'Annual Financial Statement'?

(a) Article 110

(b) Article 112

(c) Article 114

(d) Article 116

Answer and Explanation

Correct answer: (b) Article 112

Explanation: Article 112 relates to the Annual Financial Statement (the Budget); Article 110 defines a Money Bill, Article 114 relates to the Appropriation Bill and Article 115 to supplementary/additional/excess grants; Article 116 covers votes on account, votes of credit and exceptional grants.

Mains Practice Question

How do pre-Budget consultations enhance participation in budget-making? Discuss the main challenges before Budget 2027-28 in the current economic context. (GS-III; 250 words)

Answer Outline:

Introduction: Introduce the pre-Budget consultations that began on 16 November 2026 and the process.

Main Body: Participation - economists, industry, farmers, states and citizen suggestions; challenges - inflation above 6%, balancing growth spending with the 4.3% fiscal deficit target, the difficulty of consensus on tax issues like LTCG, and global uncertainty.

Conclusion: Conclude that inclusive consultation lends wider acceptance to the Budget; balancing stability and growth will remain the central issue.

Frequently Asked Questions (FAQ)

Short answer: The first pre-Budget meeting for Budget 2027-28 was held on 16 November 2026 under the chairmanship of Finance Minister Nirmala Sitharaman; the 12.5% LTCG rate, the 4.3% fiscal deficit target and inflation above 6% were discussed.

Q: What is the current LTCG rate?

After Budget 2024-25, the long-term capital gains tax rate on equities discussed in the report is 12.5%; economists remained divided on it at the recent meeting.

Q: Who takes part in pre-Budget consultations?

Economists, industry, farmers' organisations, trade unions, state finance ministers and the general public (through the Finance Ministry's website).

Q: When will the Budget be presented?

The Union Budget is generally presented on 1 February. A specific date for Budget 2027-28 should be confirmed from the official announcement.

Sources

- The Indian Express - Finance Ministry's first pre-Budget meet: economists debate LTCG tax, Nirmala Sitharaman chairs (16 November 2026): https://indianexpress.com/article/business/finance-ministry-1st-pre-budget-meet-economists-debate-ltcg-tax-nirmala-sitharaman-10966044/
- Constitution of India, Articles 112-116

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