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1 February 2026

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WHY IN NEWS

Finance Minister Nirmala Sitharaman presented the Union Budget 2026-27 in Parliament on February 1, 2026 — the centrepiece of India's budgetary calendar that sets fiscal, social, and economic priorities for the coming financial year. The Budget Session of Parliament opened on January 24, 2026; the Economic Survey 2025-26 was tabled on January 30, 2026.

UNION BUDGET 2026-27: KEY FISCAL NUMBERS

Finance Minister Nirmala Sitharaman presented her **ninth consecutive Union Budget** (8th full Budget — the 2024-25 Budget in July 2024 is counted as an additional one due to the election year interim Budget in February 2024). The Budget 2026-27 continues fiscal consolidation while prioritising capital expenditure, rural employment, and income tax relief.

Core Fiscal Parameters (Budget Estimates 2026-27):

Total Expenditure: Rs 53,47,315 crore (~Rs 53.5 lakh crore) — up 7.7% over 2025-26 Revised Estimates

Capital Expenditure: Rs 12,2 lakh crore (3.1% of GDP)

Effective Capital Expenditure (including grants-in-aid for capex to states): Rs 17.1 lakh crore (4.4% of GDP)

Fiscal Deficit: 4.3% of GDP (down from 4.4% in 2025-26 RE)

Revenue Deficit: 1.5% of GDP

Gross Market Borrowings: Rs 17.2 lakh crore; Net Market Borrowings: Rs 11.7 lakh crore

Central Govt Debt-to-GDP: 55.6% (target: 50% by March 2031 under FRBM path)

Constitutional Basis: Article 112 of the Constitution — the Union Budget is the Annual Financial Statement. Article 110 defines a Money Bill. Article 265 — no tax shall be levied or collected except by authority of law. Finance Bill gives legal force to tax proposals.

INCOME TAX — NEW INCOME TAX ACT 2025 AND TAX RATIONALISATIONS

The headline personal income tax change in Budget 2026-27 is **not new slabs** — the income tax slabs under the new regime were revised in **Budget 2025-26** (presented February 1, 2025) and continue unchanged for AY 2027-28. The key change in Budget 2026-27 is structural: implementation of the **New Income Tax Act, 2025** from April 1, 2026, replacing the Income Tax Act, 1961 — consolidating 65 years of tax legislation into a cleaner, shorter code.

Current New Tax Regime Slabs (introduced in Budget 2025-26, continue unchanged):

Income Range	Tax Rate
Up to Rs 4,00,000	Nil
Rs 4,00,001 – Rs 8,00,000	5%
Rs 8,00,001 – Rs 12,00,000	10%
Rs 12,00,001 – Rs 16,00,000	15%
Rs 16,00,001 – Rs 20,00,000	20%
Rs 20,00,001 – Rs 24,00,000	25%
Above Rs 24,00,000	30%

Zero effective tax up to Rs 12 lakh for salaried individuals under the new regime (via Section 87A rebate). New regime is now the **default** regime; old regime with exemptions requires explicit opt-out.

Tax rationalisations announced in Budget 2026-27:

LRS remittance (education/medical): TCS reduced from 5% to **2%** — benefit to students studying abroad

Overseas tour packages TCS: Uniform **2%** (previously tiered 5–20%)

MAT (Minimum Alternate Tax): Reduced from **15% to 14%** — benefit to companies under old corporate tax regime

STT (Securities Transaction Tax): Increased from 0.1% to **0.15%** on certain derivatives — revenue enhancement

Cancer drugs and rare disease medicines: Fully **exempted from customs duty** — major patient-relief measure

IFSC (International Financial Services Centre) tax holiday: Extended from 10 to **20 years** at 15% post-period rate

Customs duty on personal use goods: Reduced from 20% to **10%**

MGNREGS RESTRUCTURED: VB-G RAM G SCHEME LAUNCHED

The **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** has been restructured into **VB-G RAM G (Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission)**. Key changes:

Employment guarantee increased from **100 days to 125 days per household per year**

Allocation: Rs 95,692 crore (MGNREGS allocation cut to Rs 30,000 crore, a 66% reduction in the older category)

Adds livelihood linkages and skill convergence components beyond pure wage employment

Constitutional basis for MGNREGS: DPSP Article 41 (right to work) and Article 43 (living wage).

The scheme itself is legislated under the Mahatma Gandhi NREGS Act, 2005.

MAJOR SECTOR ALLOCATIONS

Ministry/Scheme	FY27 BE (Rs crore)	Change
Defence (total)	7,84,678	~+7%
Defence Capital	2,19,000	+24%
Railways (Capital)	2,93,030	+10.5%
Agriculture Ministry	1,40,529	+5.4%
PM-KISAN	63,500	Unchanged
Education	1,39,289	+14%
Health	1,06,530	+10%
Rural Development	1,97,023	+4%
PM Awas Yojana (Grameen)	54,917	+69%
PMGSY	19,000	+73%

NEW MISSIONS AND SCHEMES ANNOUNCED

Biopharma SHAKTI Mission — Rs 10,000 crore over 5 years; biologics/biosimilars; 3 new NIPERs + 7 upgrades

SME Growth Fund — Rs 10,000 crore for high-potential SMEs

Electronics Components Manufacturing — Enhanced to Rs 40,000 crore (from Rs 22,919 crore)

Container Manufacturing Scheme — Rs 10,000 crore over 5 years (new)

CCUS (Carbon Capture, Utilization and Storage) — Rs 20,000 crore over 5 years

City Economic Regions — Rs 5,000 crore per region; new urban growth cluster scheme

Bharat VISTAAR — Rs 150 crore; AI-powered multilingual agricultural advisory platform

FAST-DS 2026 — One-time 6-month foreign asset disclosure scheme

AVGC Content Creator Labs — 15,000 secondary schools and 500 colleges

ISM 2.0 (India Semiconductor Mission) — Equipment and materials focus; industry-led R&D

ECONOMIC SURVEY 2025-26 (TABLED JANUARY 30, 2026)

Chief Economic Adviser V. Anantha Nageswaran tabled the Economic Survey two days before the Budget.

Key Survey Findings:

India Real GDP Growth FY26 (NSO First Advance Estimate): **7.4%**

GVA Growth FY26: 7.3%

India projected Real GDP Growth FY27: **6.8–7.2%**

Average CPI Inflation April–December 2025: **1.7%** (historically low — record low in any comparable period)

Forex Reserves: USD 701.4 billion (11 months import cover)

Gross GST Collections April–December 2025: Rs 17.4 lakh crore (+6.7% YoY)

Gross NPA (September 2025): 2.2% (lowest in over a decade)

Female Labour Force Participation: **41.7%** (2023-24) — up from 23.3% in 2017-18

PLI schemes: Rs 2.0 lakh crore investment; Rs 18.7 lakh crore output; 12.6 lakh jobs

Total Exports FY25: USD 825.3 billion (+6.1%)

Services Exports FY25: USD 387.6 billion (+13.6%; all-time high)

Remittances: USD 135.4 billion (record)

INFRASTRUCTURE FOCUS — RAILWAYS, WATERWAYS, AND URBAN CORRIDORS

Budget 2026-27 reinforces infrastructure as India's primary growth driver:

7 High-Speed Rail Corridors — “Growth Connectors” linking major economic zones; part of the 15 HSR corridors planned under PM Gati Shakti

Dedicated Freight Corridor Extension: Dankuni (West Bengal) to Surat (Gujarat) — extends the Eastern and Western DFC network to cover India's manufacturing belt more fully

20 National Waterways to be operationalised — 111 NW declared under National Waterways Act 2016; budget to fund dredging and IWT infrastructure

Coastal Cargo Promotion Scheme — incentivises shifting of freight from road/rail to sea along India's 7,516 km coastline; lower carbon, lower cost

Seaplane VGF (Viability Gap Funding) Scheme — regional connectivity via seaplanes to island/coastal destinations

City Economic Regions (CERs) — Rs 5,000 crore per region over 5 years; cluster-based urban economic planning (new concept in Budget 2026-27)

INDIA-CANADA RELATIONS RESET — CIMED RELAUNCHED

Amid the broader economic diplomacy context of Budget day, the **Canada-India Ministerial Energy Dialogue (CIMED)** was relaunched after years of diplomatic strain following the Nijjar assassination dispute. Key announcements:

Canada supplies **25% of India's potash imports** — critical for agriculture; supply continuity matters for fertiliser self-sufficiency

First **Canada-India Critical Minerals Annual Dialogue** scheduled: **March 2026, Toronto** — lithium, cobalt, graphite supply chains

Expected uranium supply agreement: **CAD 2.8 billion** (10-year term)

Two-way trade target: **USD 50 billion by 2030** (current: ~USD 30.9 billion)

CEPA negotiations accelerated

UPSC Angle (GS2/GS3): India's bilateral reset, critical minerals, potash import dependence, India-Canada relations post-Nijjar case.

16TH FINANCE COMMISSION — KEY RECOMMENDATIONS

The 16th Finance Commission (Chairman: **Dr Arvind Panagariya**) submitted its report, with key recommendations noted alongside the Budget:

Vertical devolution: 41% of divisible pool to states (unchanged from 15th FC)

New horizontal formula: Added **GDP contribution (10% weight)** as a new criterion; removed the tax and fiscal effort parameter

Total grants recommended (2026-31): Rs 9.47 lakh crore — rural local bodies: Rs 4.4 lakh crore; urban local bodies: Rs 3.6 lakh crore; disaster management: Rs 2,04,401 crore

State fiscal deficit cap: 3% of GSDP; Centre target: 3.5% of GDP by 2030-31

308 inactive State Public Sector Enterprises (SPSEs) recommended for closure

UPSC Angle (GS2): Finance Commission role (Article 280), vertical and horizontal devolution, new GDP criterion, disaster fund corpus.

BUDGET SESSION AND PARLIAMENTARY CONTEXT

Budget Session 2026 runs in two parts: late-January to mid-March (Part I) and mid-March to May (Part II)

Economic Survey tabled on the last working day before Budget presentation (January 30, 2026)

Finance Bill — gives legal effect to tax proposals announced in the Budget speech

Appropriation Bill — authorises expenditure from the Consolidated Fund of India

Consolidated Fund of India (Article 266): all revenues received and loans raised by Government; all expenditure charged to it

Contingency Fund of India (Article 267): operated for unforeseen expenditure; Rs 500 crore corpus; requires Parliament ratification

Finance Commission (Article 280): determines devolution of central taxes to states; currently 16th FC under Dr Arvind Panagariya

TWO NEW RAMSAR SITES — INDIA REACHES 98 (WORLD WETLANDS DAY EVE)

On the eve of **World Wetlands Day (February 2)**, India designated two new Ramsar wetland sites, taking the country's total to **98 Ramsar sites** — the highest in Asia and among the highest globally.

New Ramsar Sites:

1. Chhari-Dhand Wetland Complex (Kutch, Gujarat):

Seasonal saline wetland, approximately 80 sq km at peak monsoon inundation

Part of the Rann of Kutch ecosystem; supports the **Western migratory flyway** (Central Asian Flyway)

Annual count: up to **30,000 Common Cranes** as a staging ground

Critically endangered: **Sociable Lapwing** (*Vanellus gregarius*); vulnerable: **Common Pochard** (*Aythya ferina*)

Supports flamingoes, pelicans, and migratory waterfowl

2. Patna Bird Sanctuary (Etah district, Uttar Pradesh):

Located in Jalesar subdivision, Etah, Uttar Pradesh (near Agra–Lucknow corridor)

Area: less than 1 sq km — one of India's smallest Ramsar sites

Species richness: **178 bird species**, 252 plant species

Central Asian Flyway stopover; Important Bird and Biodiversity Area (IBA)

Notable species: Rosy Pelican (*Pelecanus onocrotalus*), Eurasian Spoonbill, Northern Pintail, Oriental White Ibis

Supports over-wintering species from Siberia and Central Asia

Context:

Ramsar Convention (Convention on Wetlands): signed **February 2, 1971** in Ramsar, Iran; in force since 1975

India became a Contracting Party: **February 1, 1982**

India total Ramsar sites: **98** (highest in Asia; China is second with 82 sites)

Most Ramsar sites in India: **Tamil Nadu (20)**, followed by Uttar Pradesh and Rajasthan

World Wetlands Day theme 2026 focuses on wetland-climate nexus and blue carbon

Blue carbon: coastal wetlands (mangroves, seagrasses, salt marshes) store carbon at 3–5 times the rate of tropical forests — emerging priority in India’s NDC framework

EXOMINER++ — NASA OPEN-SOURCE AI FOR EXOPLANET DETECTION

NASA released **ExoMiner++**, an open-source deep-learning model for identifying exoplanets from space-telescope data, making advanced planetary science tools available to researchers globally.

How ExoMiner++ Works:

Analyses **photometric light curves** from space telescopes — detects dips in stellar brightness caused by a planet passing in front of its host star (transit method)

Distinguishes genuine planetary transits from false positives: background binary stars, eclipsing binaries, instrumental artefacts

Provides **explainable AI** outputs: confidence scores with reasoning pathways (not a black-box model)

Identifies approximately **7,000 new exoplanet candidates** from TESS data in initial processing

Training and Application:

Training datasets: **Kepler Space Telescope** (2009–2018; discovered 2,600+ confirmed exoplanets; now decommissioned) and **TESS** (Transiting Exoplanet Survey Satellite; operational since 2018; covers 85% of sky)

Future application: **Nancy Grace Roman Space Telescope** (launch ~2027; will survey 100 million stars)

Open-source release enables global collaboration; reduces computational bottleneck in planetary science

UPSC RELEVANCE

ExoMiner++ — NASA AI; transit photometry method; Kepler (decommissioned); TESS (operational); Nancy Grace Roman Space Telescope; 7,000 exoplanet candidates.

MAINS GS-3:

AI applications in astronomy; open-source science tools; India's ISRO exoplanet research context.

★ FACTS CORNER — KNOWLEDGEPEDIA

UNION BUDGET 2026-27 — CORE NUMBERS:

Total Expenditure: **Rs 53,47,315 crore** (~Rs 53.5 lakh crore); +7.7% over 2025-26 RE

Capital Expenditure: **Rs 12.2 lakh crore** (3.1% of GDP)

Effective Capex: **Rs 17.1 lakh crore** (4.4% of GDP)

Fiscal Deficit: **4.3% of GDP** (down from 4.4% in 2025-26)

Revenue Deficit: **1.5% of GDP**

Gross Market Borrowings: **Rs 17.2 lakh crore**; Net: Rs 11.7 lakh crore

Central Govt Debt-to-GDP: **55.6%**; FRBM target: 50% by March 2031

INCOME TAX — BUDGET 2026-27 KEY CHANGES:

Slabs: **NO CHANGE** in Budget 2026-27 — slabs were revised in Budget **2025-26** and continue

New Income Tax Act, 2025: Replaces IT Act, 1961 from **April 1, 2026** (structural simplification, not new slabs)

MAT: Reduced **15% → 14%**

STT on certain derivatives: Increased **0.1% → 0.15%**

IFSC tax holiday: Extended **10 → 20 years**

Cancer drugs / rare disease medicines: **Customs duty = nil** (full exemption)

TCS on overseas education remittances: **5% → 2%**

Customs duty on personal use goods: **20% → 10%**

NEW TAX REGIME SLABS (INTRODUCED BUDGET 2025-26, CONTINUING):

Nil: up to Rs 4 lakh; 5%: Rs 4–8 lakh; **10%: Rs 8–12 lakh**

15%: Rs 12–16 lakh; 20%: Rs 16–20 lakh; 25%: Rs 20–24 lakh; **30%: above Rs 24 lakh**

Zero effective tax up to Rs 12 lakh for salaried individuals (via **Section 87A rebate**)

MAJOR SECTOR ALLOCATIONS:

Defence: **Rs 7,84,678 crore** (14.7% of total expenditure); Capital: **Rs 2,19,000 crore** (+24%)

Railways Capex: **Rs 2,93,030 crore** (+10.5%)

Agriculture: **Rs 1,40,529 crore**; PM-KISAN: Rs 63,500 crore

Education: **Rs 1,39,289 crore** (+14%)

Health: **Rs 1,06,530 crore** (+10%)

RURAL DEVELOPMENT CHANGES:

MGNREGS → VB-G RAM G: employment days up **100 → 125 per household per year**

VB-G RAM G allocation: **Rs 95,692 crore**

PM Awas Yojana (Grameen): **Rs 54,917 crore** (+69%)

PMGSY: **Rs 19,000 crore** (+73%)

NEW MISSIONS:

Biopharma SHAKTI Mission: **Rs 10,000 crore** (5 years); SHAKTI = **Strategy for Healthcare Advancement through Knowledge, Technology, and Innovation**; 3 new NIPERs + 7 upgraded

SME Growth Fund: **Rs 10,000 crore**

Electronics Components Manufacturing: **Rs 40,000 crore**

CCUS Mission: **Rs 20,000 crore** (5 years; hard-to-abate sectors: cement, steel, fertilisers)

Container Manufacturing Scheme: **Rs 10,000 crore** (5 years; new)

FAST DS 2026: **Foreign Assets and Source Truthful Disclosure Scheme** — 6-month amnesty for students/NRIs to disclose foreign assets Rs 1–5 crore with prosecution immunity

ECONOMIC SURVEY 2025-26:

India Real GDP Growth FY26: **7.4%** (NSO First Advance Estimate)

CPI Inflation Apr–Dec 2025: **1.7%** (historic low)

Forex Reserves: **USD 701.4 billion** (11 months import cover)

Female LFPR FY24: **41.7%** (up from 23.3% in FY18)

Remittances FY25: **USD 135.4 billion** (record)

Services Exports FY25: **USD 387.6 billion** (all-time high)

CONSTITUTIONAL PROVISIONS – BUDGET:

Annual Financial Statement: **Article 112**

Money Bill definition: **Article 110**

No tax without law: **Article 265**

Consolidated Fund: **Article 266**

Contingency Fund: **Article 267**; corpus Rs 500 crore

Finance Commission: **Article 280**; 16th FC Chair: Dr Arvind Panagariya

16TH FINANCE COMMISSION:

Chair: **Dr Arvind Panagariya**; constituted under **Article 280**

Vertical devolution: **41%** of divisible pool to states (unchanged)

New horizontal criterion: **GDP contribution (10% weight)** added; tax/fiscal effort removed

Total grants recommended 2026–31: **Rs 9.47 lakh crore** (rural LBs: Rs 4.4L cr; urban LBs: Rs 3.6L cr; disaster: Rs 2,04,401 cr)

State fiscal deficit cap: **3% of GSDP**; Centre target: **3.5% of GDP** by 2030–31

308 inactive State PSEs recommended for closure

INFRASTRUCTURE ANNOUNCEMENTS:

7 High-Speed Rail Corridors (“Growth Connectors”): (1) Mumbai–Pune, (2) Pune–Hyderabad, (3) Hyderabad–Bengaluru, (4) Hyderabad–Chennai, (5) Chennai–Bengaluru, (6) Delhi–Varanasi, (7) Varanasi–Siliguri

DFC extension: Dankuni (West Bengal) → Surat (Gujarat)

20 National Waterways to be operationalised

Coastal Cargo Promotion Scheme; Seaplane VGF Scheme

City Economic Regions (CERs): Rs 5,000 crore/region over 5 years

INDIA-CANADA RESET:

CIMED (Canada-India Ministerial Energy Dialogue) relaunched

Canada = **25% of India’s potash imports**

Critical Minerals Dialogue: March 2026, Toronto (lithium, cobalt, graphite)

Expected uranium deal: **CAD 2.8 billion** (10 years)

Trade target: USD 50 billion by 2030 (current: ~USD 30.9 billion)

TWO NEW RAMSAR SITES (FEB 1-2, 2026):

India total Ramsar sites: **98** (highest in Asia; China has 82)

New site 1: **Chhari-Dhand**, Kutch, Gujarat — seasonal saline wetland; 80 sq km; 30,000 Common Cranes; Sociable Lapwing (CR); Western migratory flyway

New site 2: **Patna Bird Sanctuary**, Etah, UP — <1 sq km; 178 bird species; Central Asian Flyway; Rosy Pelican, Eurasian Spoonbill

India joined Ramsar Convention: **February 1, 1982** (signed Ramsar, Iran, February 2, 1971)

World Wetlands Day: **February 2** (anniversary of Convention signing)

Most Ramsar sites by state: **Tamil Nadu (20)**

EXOMINER++ — NASA AI:

Model type: Open-source deep learning; transit photometry method

Detects exoplanets from stellar brightness dips in space telescope data

Identified: **~7,000 exoplanet candidates** from TESS data

Training data: **Kepler** (decommissioned 2018; 2,600+ confirmed exoplanets) + **TESS** (operational; covers 85% sky)

Future: **Nancy Grace Roman Space Telescope** (~2027 launch)

OTHER RELEVANT FACTS:

Chief Economic Adviser: V. Anantha Nageswaran (tabled Economic Survey)

Finance Minister: Nirmala Sitharaman (**9th** consecutive Budget — includes interim Budget 2024)

Budget presented to **Lok Sabha** as a Money Bill; Rajya Sabha can suggest but not reject

Indian Budget shifted to **February 1** presentation (from last working day of February) by Finance Minister Arun Jaitley in 2017

FRBM (Fiscal Responsibility and Budget Management) Act, 2003 — mandates fiscal consolidation targets

Gross GST Apr–Dec 2025: Rs 17.4 lakh crore (+6.7%)

Sources: PIB, PRS Legislative Research, TaxGuru, Drishti IAS

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