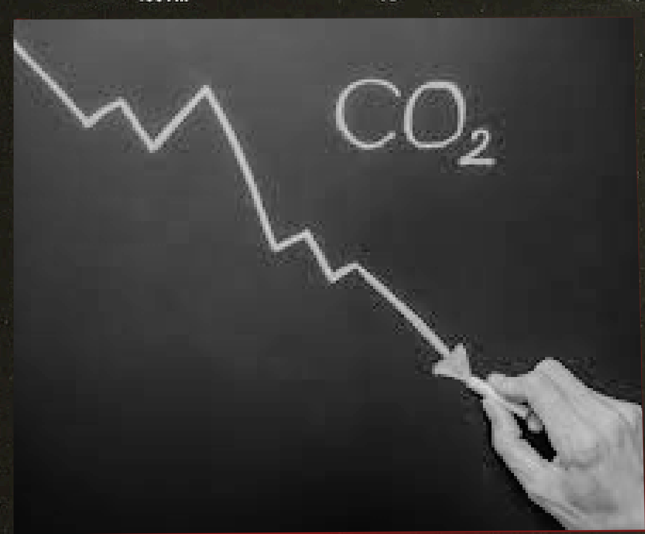
Kautilya Society, NLUO

PUBLIC POLICY POST

Monthly newsletter on recent legislations and public policy updates

JANUARY 2026

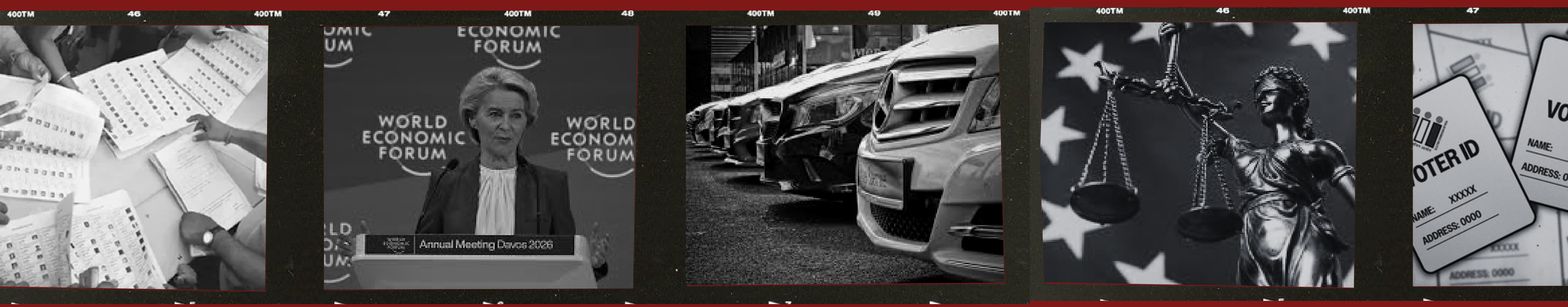


Policy Updates from January

S.No.	Topic
1.	The “Mother of all Deals” — Exploring the India-EU FTA
2.	Union Budget 2026–27: The Kartavya Blueprint for India’s New Fiscal and Regulatory Order
3.	Jharkhand Shows the Way: Building India’s Emerging Framework for Coaching Centre Regulation
4.	Carbon Compliance Additions: A Step Towards towards Green Accountability?
5.	Ambitious Targets, Complete Overhaul: Draft National Electricity Policy notified

The “Mother of all Deals” — Exploring the India-EU FTA

- Sourodeep Paul



Introduction

On January 27, 2026, India and the European Union (EU) announced the conclusion of negotiations for a landmark Free Trade Agreement (FTA), often referred to as the “Mother of all deals”. This builds up to an unprecedented partnership between the world’s 2nd and 4th largest economies, aiming to unlock a combined market valued at over USD 24 trillion and covering nearly two billion people. This of course is being seen over the backdrop of the US President Donald Trump’s clashes with Europe and tariff imposition on India. The latter had cut off a significant portion of valuable US market from the Indian industries; something that President Trump seems to be trying to rectify with a separate reciprocal tariff reduction with India. Whereas the FTA was under preparation for well over nearly two decades, it is largely understood that the rapid conclusions to negotiations were a reaction to President Trump’s recent policies.

Unprecedented Market Access

From a policy standpoint, the depth of tariff liberalization is significant. India has secured preferential access for over 99% of its exports by trade value. This includes immediate duty elimination for critical labour-intensive sectors such as textiles, leather, footwear, and gems and jewellery—sectors previously facing EU tariffs as high as 26%.

In return, India will reduce or eliminate tariffs on 96.6% of EU goods exports. This includes a calibrated reduction of duties on European automobiles from 110% to as low as 10% within a quota of 250,000 vehicles, as well as duty reductions on wines, spirits, and high-tech machinery. Crucially, India has safeguarded sensitive agricultural products like dairy, cereals, and soymeal to protect domestic food security.

Trade in Services and Professional Mobility

The FTA moves beyond a traditional trade pact by offering deep commitments in services. The EU has opened 144 subsectors, including IT, professional services, and education, while India has offered access in 102 subsectors, including maritime, environmental, and financial services.

A "future-ready" mobility framework facilitates the temporary entry of professionals, including independent professionals and intra-corporate transferees. This has been further complimented by the broadening and deepening of customs cooperation wherever appropriate, including in areas such as supply chain security and the exchange of customs data. Notably, the agreement provides a boost to Indian Traditional Medicine, allowing AYUSH practitioners to use their Indian qualifications to provide services in EU Member States where the sector is not yet regulated.

Regulatory and Sustainable Development Frameworks

The agreement reinforces Intellectual Property (IP) rights by affirming the TRIPS agreement and the Doha Declaration, while specifically recognizing India's Traditional Knowledge Digital Library (TKDL). Policy students should also note the inclusion of a dedicated Trade and Sustainable Development (TSD) chapter, which addresses climate change, workers' rights, and women's empowerment. Furthermore, the FTA establishes a framework for constructive engagement on the EU's Carbon Border Adjustment Mechanism (CBAM), which is the Union's environmental policy tool for fair carbon emissions pricing. This promises to ensure dialogue on cross-border carbon pricing and financial assistance for green transitions.

The Road to 2027

The agreement is expected to enter into force in 2027. Until then, the draft Agreement will undergo legal revision and translation before being submitted to the EU Council and the European Parliament for consent, alongside ratification by the Indian government. This FTA marks a strategic evolution in India-EU relations, providing a predictable, rules-based environment for long-term investment and integration into global value chains.

Union Budget 2026–27: The Kartavya Blueprint for India's New Fiscal and Regulatory Order

-Manasvi Singh

Introduction

The Union Budget 2026–27, presented by Finance Minister Nirmala Sitharaman on February 1, 2026, marks a shift from short-term populist measures to long-term "institutional predictability." The "Kartavya Budget," focuses on a tripartite mission: fiscal consolidation, regulatory simplification, and a massive technological leap through the "New Rules." For the common man and the corporate leader alike, the budget is less about headline-grabbing rate cuts and more about a fundamental overhaul of financial governance.

What are the "new rules"?

At the centre is the transition to the New Income-tax Act, 2025, which will come into force from April 1, 2026, accompanied by a fresh set of Income-tax Rules and redesigned, simplified Income Tax Returns. The stated objective is to reduce compliance burden for ordinary taxpayers while tightening and clarifying treatment of specific items (for example, methods for determining fair market value of assets for capital-gains calculations). These are not cosmetic changes: they recast statutory definitions and procedural pathways that taxpayers and advisers rely on.

Tax-structure changes with teeth

Beyond simplification, the budget contains substantive tax-policy shifts with distributional effects. The Minimum Alternate Tax (MAT) regime has been adjusted (modestly reduces rates but with tighter limits on credit utilisation), and the tax treatment of buybacks and dividends has been rewritten to protect minority shareholders while increasing the effective tax burden on promoters. These measures signal a preference for revenue certainty and curbs on tax arbitrage by large corporate groups which serve as an important cue for corporate treasuries and private-equity investors.

Regulatory easings aimed at investment

The Budget's "new rules" are not solely fiscal. The government is pushing a package of administrative reforms, faster approvals, clearer compliance pathways, and sectoral buckets of support to improve India's ease of doing business and attract long-term capital. Key sectoral announcements include a big push for biologics through the Biopharma SHAKTI mission and incentives for data centres and digital infrastructure, which together aim to anchor both manufacturing and services investments. For investors and founders this should lower operational risk and reduce uncertainty over permit and tax treatments, although the details of implementing notifications and thresholds will determine the real impact.

Startups and compliance trade-offs

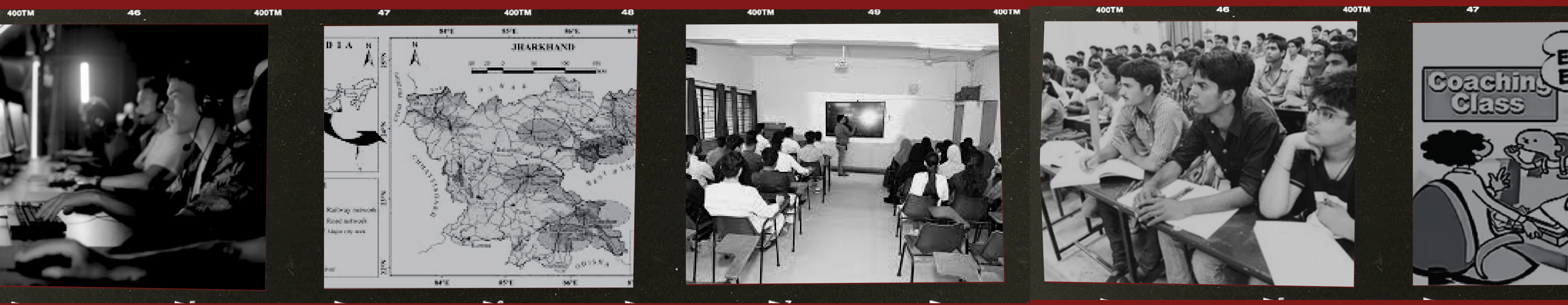
Startups gain clearer tax playbooks and targeted reliefs (for example, changes that affect MAT and international asset disclosures), while the government removes certain caps limiting cross-border courier exports, a move that directly benefits small e-commerce exporters. However, simplification can also mean reclassification of exemptions or limits on previously available credits; firms should treat the Budget as the start of a compliance-planning exercise rather than the final word. Professional advisers will need to rewire tax models to reflect the new Act and the draft rules currently circulated for comment.

Conclusion

The 2026–27 Budget is less about headline-rate tax changes and more about an administrative pivot: rewriting rules, reshaping compliance, and signalling which sectors get a long runway. For readers seeking to use the Budget as an action plan, the sensible next steps are (a) get a short gap-analysis of existing tax positions against the New Income-tax Act and draft Rules, (b) track the Ministry notifications and Rule-level drafts closely, and (c) treat sectoral announcements as conditional incentives that require prompt project alignment to capture benefits. The "new rules" are therefore both an invitation and a sprint: the policy architecture is being reset, and the winners will be those who translate early clarity into operational commitments.

Jharkhand Shows the Way: Building India’s Emerging Framework for Coaching Centre Regulation

-Tanishtha Mittal



Introduction

Coaching centres have grown into one of the most influential, yet least regulated, components of India’s education landscape. What began as supplementary learning has evolved into a multibillion-rupee industry that shapes the academic and career trajectories of millions. Estimates place the value of the sector at over 31,000 crore rupees.

In cities like Kota, Hyderabad, Patna and Ranchi, entire ecosystems have emerged around competitive exam preparation. Alongside success stories, this expansion has brought concerns about student safety, mental health, overcrowded infrastructures, misleading advertising and opaque fee structures. Without a clear national policy, states have been forced to respond piecemeal. January 2026 stood out because one state, Jharkhand, finally acted with a comprehensive legislative approach that signals a broader shift in how India may govern this sector going forward.

What Jharkhand Did: The January Regulation Move

In January 2026, Jharkhand operationalised significant changes after the Governor granted assent to the Jharkhand Coaching Centres (Control and Regulation) Bill, 2025. This law introduces mandatory registration for coaching centres through an official portal. Each centre must obtain its own registration number, and franchises are jointly responsible for compliance. The move is aimed at creating an authoritative database and ensuring basic accountability.

To address student welfare, the Act requires one registered mental health counsellor for every one thousand students and mandates at least 200 free counselling days annually. Operational hours are restricted to 6 a.m. to 9 p.m. The law also requires separate washrooms for boys and girls, sanitation facilities and CCTV coverage. These norms directly respond to concerns emerging from high-density coaching hubs.

Jharkhand has also taken steps to reduce consumer misinformation. Coaching centres must publicly display their and must disclose genuine historical results. Any misleading advertisements or inflated rank claims can attract penalties. These provisions aim to reduce the information asymmetry that often influences family decisions.

For enforcement, the law sets up district-level regulation committees chaired by deputy commissioners and a state authority led by a retired judicial officer, strengthening oversight capacity. Non-compliance can lead to fines up to 10 lakh rupees or cancellation of registration.

Jharkhand's timing reflects growing migration into Ranchi, Dhanbad and Jamshedpur for competitive exam preparation, rising safety concerns and national focus following repeated incidents in other states.

National Policy Vacuum: Why a Gap Exists

India's coaching industry operates in a regulatory vacuum because there is no central law governing coaching centres. They do not fall under the Right to Education Act, which governs schools, nor under the University Grants Commission, which regulates higher education institutions. As a result, coaching centres exist outside every major national education statute. Constitutionally, Education is listed in the Concurrent List, but since coaching centres are not defined as "educational institutions" in any central legislation, they fall into a grey zone where neither the Centre nor states have a clear legal anchor to regulate them.

Because of this ambiguity, coaching centres are usually treated as shops or commercial establishments rather than formal educational bodies. Courts have reinforced this interpretation; notably, the National Consumer Disputes Redressal Commission has held that coaching centres do not enjoy the status of recognised institutions. This positioning means the sector is exempt from the kinds of oversight that apply to schools and universities. There are no nationwide safety norms, no minimum standards for teacher qualifications, and no mandatory frameworks for student welfare or mental-health support—gaps that have become increasingly visible with the sector's rapid expansion.

The policy vacuum has persisted for structural and political reasons. Coaching has grown into a large, parallel shadow education system, one that commands significant social influence and employs substantial labour. Regulating it tightly can trigger political sensitivities, particularly in states where coaching hubs contribute to local economies. States also worry that strict rules may push students to migrate to neighbouring states with lighter regulations, creating a competitive reluctance to regulate. Added to this is a basic informational gap: India has no national registry or comprehensive dataset on coaching centres, making it difficult to assess scale, risk patterns, or compliance needs. Even past advisory guidelines issued by the Ministry of Education have seen patchy implementation because they lacked statutory backing and baseline data

The Emerging Architecture: How States Are Shaping the Future

Jharkhand joins a growing number of states taking steps to regulate coaching centres. States are developing different models that, together, reveal an emerging regulatory architecture.

Rajasthan enacted its Coaching Centres (Control and Regulation) Act, 2025 with provisions on safety norms, counselling, registration and penalties for fraudulent advertising. Several states, including Bihar, Goa, Uttar Pradesh and Manipur, already have laws regulating coaching or tuition centres, though enforcement capacity varies. Odisha has proposed its own regulatory bill, with requirements for teacher qualifications, infrastructure standards and registration, but implementation timelines remain uncertain.

These examples suggest that states are converging on a consistent set of expectations: compulsory registration, safety standards, transparency in fees and results, mental health support and mechanisms for grievance redressal. India may not have a central law yet, but the groundwork for one is being set through state-level innovations.

Conclusion

A gradual shift is underway in how India views coaching centres, moving from a hands-off approach to one focused on safety, transparency and student welfare. Jharkhand's regulatory move underscores the urgency of filling the national policy vacuum and reflects an evolving consensus that coaching centres are no longer just commercial businesses but important parts of the learning ecosystem.

As states continue refining their laws, India has an opportunity to develop a coherent regulatory framework that protects students, supports families and improves educational quality without stifling access. The emerging architecture may eventually point toward harmonised national standards, built on lessons from states that acted early.

Carbon Compliance Additions: A Step Towards towards Green Accountability?

-Sidharat Mohanty

Introduction

On January 13, 2026, the Ministry of Power issued a notification by which they intend on expanding the Carbon Credit Trading Scheme (CCTS) in a major way. This is India’s way of pushing to achieve its climate goals of carbon neutrality by 2070. The Centre has notified the Green Gas Emission Intensity (GEI) which targets 208 additional industries. This move now brings big players like Petroleum Refineries, Petrochemicals Plants and Textiles Mills under its mandatory compliance rules, which brings the total Count of “Obligated Entities” to 490 under the Indian Carbon Market.

The Compliance Mechanism Explained

The Carbon Credit Trading Scheme (CCTS), notified in June 2023, is the foundational framework for the Indian Carbon Market (ICM). Contrary to the idea of a "fixed price," the CCTS is a market-based mechanism where the price of carbon is determined by supply and demand, though it may operate within a "price collar" containing floor and ceiling prices.While initial industrial decarbonization efforts (like the PAT scheme) focused mainly on heavy hitters like cement, iron, and steel, with the CCTS framework the government is signaling a shift toward addressing the entire industrial supply chain rather than just primary manufacturing.

Under this 'Compliance Mechanism,' identified industries must adhere to specific emission intensity targets. The logic is straightforward: entities that lower their emissions below their notified targets earn Carbon Credit Certificates (CCCs), which can be sold on power exchanges. Conversely, those failing to meet their marks must purchase these certificates to remain compliant. This market-based approach effectively puts a price on carbon, incentivizing efficiency while providing a clear roadmap for India's high-emission sectors to reach Net Zero.

Teething Troubles and Market Concerns

While the expansion is a welcome step, the scheme is not without its share of teething troubles. One major worry for policy watchers is the issue of price stability. Several experts have flagged that without a concrete price floor or stability reserve, the market might see high volatility. There is genuine fear that if supply of credits exceeds the demand, prices could crash, which renders the whole exercise futile.

Also, the current rules are allowing for "indefinite banking" of credits. This means that companies can hoard certificates for future use. While this offers flexibility to the industry, there is a possibility that in the initial years, if targets are too lax, it could lead to surplus of cheap credits. The Bureau of Energy Efficiency (BEE) will have to walk a tightrope to ensure the price signal remains strong enough to force industries to upgrade their technology.

The Way Forward

The integration of these 208 new entities is a litmus test for India's "baseline-and-credit" system. Unlike the "cap-and-trade" model which is popular in Europe, India has chosen an intensity-based approach. This allows for economic growth while curbing emissions per unit of output.

However, if the ICM is to be taken seriously on the global stage, it must eventually align with international standards, especially with the backdrop of the EU's Carbon Border Adjustment Mechanism (CBAM). With full compliance becoming mandatory later this year, focus must shift from mere notification to rigorous Monitoring, Reporting, and Verification (MRV). This is essential to prevent "greenwashing" and ensure that every traded credit is representing a real reduction in emissions on the ground.

Conclusion

The January 2026 notification is not just another government circular; it is a clear message to India Inc. that the cost of carbon is now a balance sheet item. By widening the net to include diverse sectors like textiles, the government has made it clear that climate responsibility is a shared mandate. The success of this expanded CCTS will depend not just on compliance, but on whether the government can maintain a transparent and high-integrity market that rewards genuine innovation.

Ambitious Targets, Complete Overhaul: Draft National Electricity Policy notified

-Adrija Dey

Introduction

The Draft National Electricity Policy (NEP) 2026 represents a comprehensive overhaul of India's power sector, designed to replace the two-decade-old 2005 policy. Issued by the Ministry of Power on 20th January 2026, the draft aligns with the Viksit Bharat @2047 vision, transitioning the nation from a period of chronic shortages to a future defined by low-carbon, high-growth energy. It sets ambitious per capita consumption targets of 2,000 kWh by 2030 and over 4,000 kWh by 2047, while also committing to a 45% reduction in emission intensity by 2030.

What the Policy entails

The Policy introduces several structural interventions aimed at reliability and sustainability. A central feature is the strong pivot toward nuclear power, supported by the SHANTI Act, 2025, which aims to scale capacity to 100 GW by 2047 with the assistance of advanced technologies like Small Modular Reactors (SMRs). Furthermore, the Policy emphasizes renewable energy and storage, promoting Battery Energy Storage Systems (BESS) and market-based capacity addition.

To address the financial distress of distribution companies (DISCOMs), the draft proposes automatic, index-linked tariff revisions to ensure timely cost recovery if state regulators fail to issue orders. It also seeks to boost industrial competitiveness by exempting manufacturing, railways, and metro rail from cross-subsidy charges and surcharges when procuring power through open access.

Key Changes

The NEP 2026 offers several strategic benefits for India's energy security. By integrating storage with thermal plants and expanding nuclear and RE, the policy provides a clear pathway toward net-zero emissions by 2070. Additionally, it mandates indigenous SCADA systems and robust cybersecurity frameworks, ensuring data sovereignty by requiring power sector data to be stored within India. Lowering logistics and manufacturing costs through cross-subsidy removals helps make Indian goods more globally competitive.

Despite its forward-looking goals, critics and industry insiders have identified serious potential pitfalls. Although the policy mandates a "least-cost generation mix", it pushes for nuclear power, which is significantly more capital-intensive than solar or wind. Analysis suggests that nuclear power can be four times more expensive per MW than solar with storage, potentially adding a "hidden cost" of up to ₹3.7 per kWh to consumer bills.

Another challenge is the "Impossible Mathematics" of DISCOM Viability, which argues that it is mathematically impossible to simultaneously achieve universal access, full cost recovery, market competition, and DISCOM viability. For instance, connecting remote areas is extremely costly, but making those consumers pay the actual cost is politically unfeasible. Additionally , exempting large consumers (above 1 MW) from cross-subsidies removes a major revenue source for DISCOMs, as these users often contribute 40-50% of revenue. This could force residential and smaller users to pay higher tariffs to cover fixed costs. Industry experts also cite high upfront costs and limited control over nuclear fuel (uranium) as major deterrents for private investment in the nuclear sector. Moreover, critics argue that the policy repeats prescriptions from the 2005 NEP, including cost-reflective tariffs, without providing a clear analysis of why they failed to solve the DISCOM debt crisis over the last 20 years.

Conclusion

Even though the Draft NEP 2026 provides a sophisticated roadmap for a modernized grid and strategic energy autonomy, its success depends on resolving the inherent tensions between its high-cost technology mandates and its promise of competitive electricity prices. The policy risks selective implementation by states and continued financial instability for the power sector without a transparent mechanism to bridge these economic gaps.

EDITORS

Aryan Chowdhury
(Editor-in-Chief)
Adrija Dey
Manasvi Singh
Vigaas Singh
Shreya Mathur
Sourodeep Paul

DESIGN

Ishani Garg
Sidharat Mohanty

Connect with us: