

MP-IDSA *Commentary*

Union Budget and SHANTI Act 2026: Enablers for India's Nuclear Ambitions

Niranjan Chandrashekhar Oak

February 06, 2026

S*ummary*

The nuclear-related budget announcements and the SHANTI Act are likely to play a significant role in India's global nuclear collaborations.

In her 2026–27 budget speech, Finance Minister (FM) Nirmala Sitharaman announced customs duty exemptions on “imports of goods required for Nuclear Power Projects till the year 2035”,¹ irrespective of their capacity. Although the announcement may not sound as eye-catching as last year's, when Rs 20,000 crore were allocated for a Nuclear Energy Mission (NEM) to research and develop Small Modular Reactors (SMRs),² it is destined to have a long-term impact on India’s nuclear energy sector. This is especially so in the context of the recently passed Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act, 2025, and the likely increase in energy demand due to the tax holidays announced in the budget for foreign cloud firms using data centre services from India.

The budget reduced customs duty on all goods required for nuclear power generation that fall under the Harmonised System (HS) codes 8401 30 00 and 8401 40 00 from 7.5 per cent to nil. Products under Code 8401 30 00 include non-irradiated fuel elements (cartridges), while those under Code 8401 40 00³ include parts of nuclear reactors, such as Control and Protection Absorber Rods and Burnable Absorber Rods.⁴ ‘Fuel elements (cartridges), non-irradiated’ is a category of traded products under the HS. The non-irradiated cartridges are metal containers containing fissile material used in nuclear power generation.⁵

Upside Effects of Nuclear Customs Duty Exemptions

First, the FM’s customs duty exemption announcement tells us four things: one, the government wants to promote the domestic nuclear reactor construction industry. Two, the government is building on the NEM and is committed to including nuclear power in its renewable energy mix. Third, extending the validity of exemptions until 30 September 2035 demonstrates the government’s long-term commitment to the nuclear energy sector. Four, while the NEM was limited to SMRs, the budgetary exemptions have now been extended to all nuclear power projects, regardless of capacity, indicating that the government is seeking a mix of SMRs and large reactors to increase the share of nuclear power to 100 GW by 2047. The government seems

¹ [“Budget 2026-2027: Speech of Niramala Sitharaman, Minister of Finance”](#), Government of India, 1 February 2026.

² [“A Nuclear Energy Mission for Research & Development of Small Modular Reactors \(SMR\) Will Be Set Up: Budget 2025-26”](#), Ministry of Finance, Government of India, 1 February 2025.

³ Ibid.

⁴ [“Annexures of Budget 2026-2027”](#), Ministry of Finance, Government of India.

⁵ A. Blainey and H. Lloyd, [“Fuel Elements for Nuclear Reactors”](#), *Nuclear Eng.*, Vol. 4, February 1959.

to be considering large reactors for grid applications and small reactors for off-grid or captive use.

Second, these exemptions align with the recently passed SHANTI Act, 2025, which replaced the Atomic Energy Act (AEA), 1962, and the Civil Liability for Nuclear Damage Act (CLNDA), 2010. The SHANTI Act has allowed private players to participate in the nuclear sector. Further, it harmonised liability provisions with those of the international nuclear liability law, the 1997 Convention on Supplementary Compensation for Nuclear Damage (CSC). Now, liability for an accident is restricted exclusively to the nuclear power plant operator, unlike the CLNDA provisions, which allowed the operator to hold the supplier responsible for the incident.

The combination of import tax exemptions and provisions of the SHANTI Act is designed to further encourage private participation—both domestic and foreign—in atomic power generation by reducing overall project costs. This is likely to render the nuclear power plant construction financially viable, export-worthy and profitable. Moreover, India can consider investing in Light Water Reactor (LWR)-based nuclear projects through imports or joint ventures, which account for the majority of the international reactor market but for which India lacks expertise. While India has expertise in Pressurised Heavy Water Reactors (PHWR), mastery of LWRs will help improve integration into global supply chains.⁶

Third, in another budget announcement, the FM announced a tax holiday until 2047 for foreign cloud service providers “that provide cloud services to customers globally by using data centre services from India”, to attract investment in the data centre sector. According to the Economic Survey of 2025–26, India has an installed data centre capacity of 1.2 GW, which is expected to more than triple to approximately 4 GW by 2030.⁷ This means that in the coming years, India will see a massive demand for energy, preferably clean energy, in line with New Delhi’s net-zero carbon-emission goals. Customs duty relief in the nuclear sector will enable a greater contribution of nuclear power to the country’s renewable energy mix to meet the data centre economy's demand, primarily through the deployment of SMRs.

Fourth, the draft National Electricity Policy (NEP), 2026, published on 20 January 2026 to solicit public comments and suggestions, places considerable weight on nuclear power generation. It envisions nuclear power plants replacing coal-based

⁶ Anil Sasi, “[DAE’s Nuclear Pivot: Light Water Push to Tap Global Markets, Retain Heavy Water Edge](#)”, *The Indian Express*, 20 January 2026.

⁷ “[Economic Survey 2025-26](#)”, Ministry of Finance, Government of India.

captive plants and retired thermal power plants.⁸ It suggests encouraging large commercial and industrial consumers to use nuclear-generated power and recommends that nuclear projects be eligible for green bond financing.⁹ The budget announcement and the SHANTI Act have eased the path to establishing nuclear power plants in line with NEP’s recommendations.

Fifth, the nuclear-related budget announcements and the SHANTI Act are also likely to play a significant role in India’s global nuclear collaborations, including with the US. India has a longstanding relationship with Russia in the nuclear field. The India–France nuclear relationship is also on course to deepen further in the near future. However, despite concluding the India–US nuclear deal, the US was not forthcoming because of the liability provision in CLNDA. Now that the SHANTI Act is in place, India–US nuclear cooperation is expected to realise the full potential of the bilateral relationship.

The India–US nuclear partnership assumes even greater significance as both countries are expected to sign a free trade agreement to reduce tariffs on each other’s products and increase bilateral trade. The high-value nuclear trade is expected to benefit both countries in the coming days, and the budget announcement will stimulate imports of nuclear technology and materials for nuclear power plants from the US.

Conclusion

The customs duty exemptions on input materials for nuclear power plants should not be viewed in isolation, but as a step building on the previous initiatives that began with the 2025–26 budget announcement of NEM and followed by the passage of the SHANTI Act. All the initiatives are unidirectional and aim to acquire modern nuclear reactor technology, capture a significant share of the emerging SMR market, embed New Delhi in the global nuclear supply chain, forge global nuclear partnerships and increase the share of nuclear power in India’s renewable energy mix, taking into account future power demand driven by emerging technology. By all accounts, the government is viewing the nuclear power sector from a long-term perspective and taking incremental steps to realise the goal set in the previous budget: to achieve 100 GW of nuclear power by 2047.

⁸ “[Draft National Electricity Policy, 2026](#)”, Ministry of Power, Government of India, 20 January 2026.

⁹ Ibid.

About the Author



Mr. Niranjan Chandrashekhar Oak is Research Analyst at the Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi.

Manohar Parrikar Institute for Defence Studies and Analyses is a non-partisan, autonomous body dedicated to objective research and policy relevant studies on all aspects of defence and security. Its mission is to promote national and international security through the generation and dissemination of knowledge on defence and security-related issues.

Disclaimer: Views expressed in Manohar Parrikar IDSA's publications and on its website are those of the authors and do not necessarily reflect the views of the Manohar Parrikar IDSA or the Government of India.

© Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA) 2026