UNION BUDGET 2025

Budget Theme

India stands today as the fastest-growing major economy in the world. Our development trajectory over the past decade, coupled with bold structural reforms, has captured global attention. The world's faith in India's capabilities and potential has only strengthened. The next five years present a unique opportunity to realize Sabka Vikas—balanced growth across all regions and sections of society.

COMPILED BY:
CA. PEEYUSH SHARMA, FCA, DISA, CCCAB (ICAI)

Empowering India's Ascent: A Blueprint for Inclusive and Sustainable Growth

India stands at a pivotal moment in its history. As the world's fastest-growing major economy, it possesses a dynamism and potential that has captured global attention. The nation's remarkable development trajectory over the past decade, characterized by consistent growth and impactful structural reforms, has solidified its position on the world stage. The international community's confidence in India's capabilities and future prospects has grown exponentially, recognizing the nation's unique blend of economic resilience, demographic dividend, and democratic values.

The next five years present a truly exceptional window of opportunity – a chance to translate India's immense potential into tangible progress for all its citizens. This period offers a unique platform to realize the vision of "Sabka Vikas," a development paradigm that prioritizes balanced and inclusive growth across all regions and segments of society. This budget, therefore, is not just a financial document; it is a comprehensive roadmap, a blueprint for empowering India's ascent, ensuring that the fruits of economic progress are shared equitably and sustainably.

I. Building on a Foundation of Strength:

India's current economic standing is not a matter of chance. It is the result of sustained efforts, strategic planning, and a commitment to reforms. Over the past decade, the nation has implemented a series of bold structural reforms that have laid a strong foundation for future growth. These reforms, often challenging in their implementation, have addressed critical bottlenecks in the economy, improved efficiency, and enhanced competitiveness. They have fostered a more conducive environment for investment, both domestic and foreign, and have unleashed the entrepreneurial spirit of the Indian people.

- **Fiscal Prudence and Macroeconomic Stability:** A cornerstone of India's success has been its focus on fiscal prudence and macroeconomic stability. The government has maintained a responsible fiscal policy, carefully balancing the need for investments in crucial sectors with the imperative of keeping the fiscal deficit under control. This approach has instilled confidence in investors and has helped to keep inflation in check.

- **Strengthening Infrastructure:** Recognizing the critical role of infrastructure in economic development, the government has made massive investments in improving the nation's infrastructure. Roads, railways, ports, airports, and energy infrastructure have all seen significant improvements. These investments have not only facilitated the movement of goods and people but have also created numerous job opportunities and have boosted economic activity across the country.

- **Promoting Digital India:** The Digital India mission has been a game-changer, transforming the way citizens access services and interact with the government. The rapid expansion of internet connectivity, coupled with the proliferation of mobile phones, has created a digital revolution. This has not only improved efficiency and transparency but has also opened up new avenues for economic growth and social inclusion.

- **Ease of Doing Business:** The government has made significant strides in improving the ease of doing business in India. Cumbersome regulations have been simplified, bureaucratic hurdles have been reduced, and processes have been streamlined. These efforts have made it easier for businesses to set up and operate in India, attracting both domestic and foreign investment.

- **Focus on Skill Development:** Recognizing the importance of human capital, the government has placed a strong emphasis on skill development. Various initiatives have been launched to equip young people with the skills they need to succeed in the modern economy. This focus on skill development is crucial for harnessing India's demographic dividend and ensuring that its young population can contribute to the nation's growth.

II. The Vision of Sabka Vikas: Inclusive and Balanced Growth:

The concept of "Sabka Vikas" is at the heart of this budget. It signifies a commitment to inclusive growth, ensuring that the benefits of economic progress reach all sections of society, particularly the most vulnerable and marginalized. It also emphasizes balanced growth, ensuring that all regions of the country participate in and benefit from the development process. This vision recognizes that true and sustainable progress can only be achieved when everyone is empowered to participate and contribute.

- **Addressing Regional Disparities:** One of the key challenges in achieving Sabka Vikas is addressing regional disparities. Some regions of the country have lagged behind others in terms of development. This budget proposes specific measures to address these disparities, focusing on investments in infrastructure, education, and healthcare in less developed regions. The goal is to create a level playing field and ensure that all regions have the opportunity to grow and prosper.
- **Empowering the Marginalized:** Sabka Vikas also focuses on empowering the marginalized and vulnerable sections of society. This includes women, Scheduled Castes, Scheduled Tribes, and other disadvantaged groups. The budget proposes various schemes and initiatives aimed at providing these groups with access to education, healthcare, and economic opportunities. The goal is to break down barriers and create a more equitable society.
- **Promoting Social Inclusion:** Social inclusion is a crucial aspect of Sabka Vikas. The budget emphasizes the importance of creating a society where everyone feels valued and respected, regardless of their caste, creed, religion, or gender. It proposes measures to promote social harmony and to combat discrimination. The goal is to build a more inclusive and cohesive society where everyone has the opportunity to thrive.

- **Focus on Rural Development:** A significant portion of India's population still lives in rural areas. Therefore, rural development is a critical component of Sabka Vikas. The budget proposes increased investments in rural infrastructure, agriculture, and rural livelihoods. The goal is to improve the quality of life in rural areas and to create more opportunities for rural residents.
- **Strengthening Social Safety Nets:** The government recognizes the importance of providing social safety nets for the most vulnerable members of society. The budget proposes strengthening existing social safety net programs, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the National Food Security Act. These programs provide a crucial safety net for those who are struggling to make ends meet.

III. A Roadmap for the Next Five Years: Key Priorities:

The next five years present a crucial opportunity to accelerate India's development and achieve the vision of Sabka Vikas. This budget outlines the key priorities for this period, focusing on areas that are critical for inclusive and sustainable growth.

- **Investing in Human Capital:** Human capital is the foundation of any successful economy. The budget places a strong emphasis on investing in education, healthcare, and skill development. These investments are crucial for creating a productive workforce and for improving the quality of life for all citizens.
- **Promoting Innovation and Technology:** Innovation and technology are key drivers of economic growth in the 21st century. The budget proposes measures to promote research and development, to encourage innovation, and to support the growth of the technology sector. The goal is to make India a global leader in innovation and technology.
- **Strengthening Agriculture:** Agriculture is a vital sector of the Indian economy, providing livelihoods for a large portion of the population. The budget proposes measures to

modernize agriculture, to improve productivity, and to support farmers. The goal is to make agriculture more sustainable and profitable.

- **Boosting Manufacturing:** The manufacturing sector has the potential to create large numbers of jobs and to drive economic growth. The budget proposes measures to promote manufacturing, to attract investment, and to improve competitiveness. The goal is to make India a global manufacturing hub.
- **Promoting Sustainable Development:** Sustainable development is crucial for ensuring that future generations can also benefit from economic progress. The budget emphasizes the importance of protecting the environment and of promoting sustainable practices. It proposes measures to encourage the use of renewable energy, to reduce pollution, and to conserve natural resources.

IV. A Collaborative Approach: Partnership for Progress:

Achieving the ambitious goals set out in this budget requires a collaborative approach. The government recognizes the importance of working in partnership with the private sector, civil society, and all stakeholders. This budget is not just a government document; it is a call to action for all Indians to work together to build a better future for the nation.

- **Engaging with the Private Sector:** The private sector plays a crucial role in economic development. The government is committed to creating a conducive environment for businesses to thrive and to invest in India. The budget proposes measures to further improve the ease of doing business and to attract both domestic and foreign investment.
- **Empowering Civil Society:** Civil society organizations play a vital role in addressing social issues and in empowering marginalized communities. The government recognizes the importance of working in partnership with civil society to achieve the goals of Sabka Vikas. The budget proposes measures to support the work of civil society

organizations and to encourage their participation in the development process.

- **Building a Shared Vision:** The vision of Sabka Vikas is a shared vision, one that resonates with all Indians. This budget is an invitation to all citizens to join hands and to work together to build a prosperous and inclusive India. It is a call for collective action, a recognition that the future of the nation depends on the combined efforts of all its people.

Embarking on a Path of Transformation:

This budget is not just a set of financial proposals; it is a statement of intent, a reflection of the government's commitment to building a New India. It is a roadmap for the next five years, a blueprint for empowering India's ascent. It is a budget that is grounded in the realities of today but is also inspired by the aspirations of tomorrow. It is a budget that seeks to balance economic growth with social justice, ensuring that the benefits of progress are shared by all. It is a budget that is confident in India's potential and is optimistic about its future

Finance Minister Nirmala Sitharaman, presenting the first full Budget of Modi 3.0, announced major changes in the income tax slabs. In major relief for the middle class, the Finance Minister said that no income tax would be payable up to income of Rs 12 lakh. Besides this, there was also big announcements on the TDS front, where the annual limit on rent was raised from Rs 2.40 lakh to Rs 6 lakh, benefiting small taxpayers receiving smaller payments.

Detailed Budget Highlights: Direct Tax Proposals

This budget focuses on simplifying the tax system, easing compliance burdens, promoting voluntary compliance, fostering a favorable environment for businesses, and providing significant relief to the middle class. The proposals aim to further the vision of "Viksit Bharat" by promoting economic growth and stability.

I. Personal Income Tax Reforms (Focus on Middle Class):

- **Significant Relief for Middle Class:** A major highlight is the substantial relief provided to the middle class. The government recognizes their vital role in nation-building and aims to put more disposable income in their hands.
- **Increased Tax Exemption Limit:** The "nil tax" slab has been progressively increased over the years, reflecting the government's trust in taxpayers. This year, **no income tax will be payable up to ₹12 lakh** for individuals with normal income (excluding special rate income like capital gains). For salaried taxpayers, this limit effectively becomes **₹12.75 lakh** due to the standard deduction of ₹75,000.
- **Revised Tax Slab Structure:** The new tax regime sees a complete overhaul of the slab structure, designed to benefit all taxpayers. The revised slabs and rates are as follows:
    - ₹0 - ₹4 lakh: Nil
    - ₹4 - ₹8 lakh: 5%
    - ₹8 - ₹12 lakh: 10%
    - ₹12 - ₹16 lakh: 15%
    - ₹16 - ₹20 lakh: 20%
    - ₹20 - ₹24 lakh: 25%
    - Above ₹24 lakh: 30%

- **Tax Rebate:** A tax rebate is being provided for taxpayers with income up to ₹12 lakh (normal income), ensuring they pay no tax. This, combined with the revised slab rates, results in significant tax savings across various income levels. The budget provides examples:
    - ₹12 lakh income: ₹80,000 tax benefit (100% of existing tax).
    - ₹18 lakh income: ₹70,000 tax benefit (30% of existing tax).
    - ₹25 lakh income: ₹1,10,000 tax benefit (25% of existing tax).

II. Rationalization of TDS/TCS (Easing Difficulties):

- **Simplified TDS:** The tax deduction at source (TDS) system is being simplified by reducing the number of rates and thresholds. Threshold amounts for deductions are being increased for greater clarity and uniformity.
- **Increased Limits:** Several key limits are being enhanced:
    - Interest income for senior citizens: Doubled to ₹1 lakh.
    - TDS on rent: Increased from ₹2.40 lakh to ₹6 lakh.
- **TCS Adjustments:** Tax collection at source (TCS) is also being rationalized:
    - LRS remittances: Threshold increased from ₹7 lakh to ₹10 lakh.
    - Education remittances (from specified loans): TCS removed.
    - TCS on sale of goods: Completely removed.
- **PAN-Related Provision:** Higher TDS deduction will now apply *only* in cases where a PAN is not provided.

- **Decriminalization:** The relaxation for delayed TDS payments (up to the filing due date) is now extended to TCS provisions as well.

III. Encouraging Voluntary Compliance:

- **Extended Time for Updated Returns:** The time limit for filing updated returns for any assessment year is being extended from two years to four years. This encourages taxpayers to voluntarily correct any omissions in their reported income.

IV. Reducing Compliance Burden:

- **Charitable Trusts/Institutions:** The registration period for small charitable trusts/institutions is being doubled from 5 years to 10 years. Additionally, minor defaults in applications by these entities will not lead to disproportionate consequences.
- **Self-Occupied Properties:** Taxpayers can now claim the annual value of *two* self-occupied properties as nil, without any conditions. This simplifies the process and removes previous complexities.

V. Ease of Doing Business:

- **Transfer Pricing:** A new scheme will allow for the determination of arm's length price in international transactions for a three-year block period, streamlining the process and providing an alternative to yearly examinations.
- **Safe Harbour Rules:** The scope of safe harbour rules is being expanded to reduce litigation and create greater certainty in international taxation.
- **National Savings Scheme & NPS Vatsalya Accounts:** Withdrawals from old National Savings Scheme accounts (where interest is no longer payable) will be exempt. Similar treatment as normal NPS accounts (within overall limits) will be extended to NPS Vatsalya accounts.

- **Digitalization:** The digitalization of all processes, including giving effect to appellate orders, is being implemented.
- **Vivad Se Vishwas Scheme:** The successful Vivad Se Vishwas Scheme for resolving income tax disputes is acknowledged, with nearly 33,000 taxpayers having benefited.

VI. Employment and Investment:

- **Electronics Manufacturing:** A presumptive taxation regime is proposed for non-residents providing services to resident companies establishing or operating electronics manufacturing facilities. A safe harbour is also proposed for tax certainty for non-residents storing components for these units.
- **Inland Vessels:** The tonnage tax scheme, currently applicable only to sea-going ships, will be extended to inland vessels registered under the Indian Vessels Act, 2021, promoting inland water transport.
- **Start-Ups:** The period of incorporation for start-ups to avail of certain benefits is extended by five years, up to 1.4.2030.
- **IFSC:** Benefits are proposed for ship-leasing units, insurance offices, and treasury centers of global companies in the IFSC. The cut-off date for commencement in IFSC is also extended by five years to 31.3.2030.
- **AIFs:** Category I and Category II Alternate Investment Funds (AIFs) will have certainty of taxation on gains from securities.
- **Sovereign & Pension Funds:** The investment date for Sovereign Wealth Funds and Pension Funds investing in infrastructure is extended by five years to 31st March, 2030.

VII. Revenue Impact:

These proposals will result in a revenue loss of approximately ₹1 lakh crore in direct taxes and ₹2600 crore in indirect taxes.

Detailed Budget Highlights: Indirect Tax Proposals

This budget's indirect tax proposals are designed to streamline the customs tariff structure, correct inverted duty structures, bolster domestic manufacturing and value addition, promote exports, simplify trade procedures, and offer relief to the general public. These measures are aimed at fostering economic growth and enhancing India's global competitiveness.

I. Rationalization of Customs Tariff Structure:

- **Further Simplification:** Building on the previous budget's commitment to simplifying the customs duty regime, the government proposes to eliminate *seven* more tariff rates. This follows the removal of seven rates in the 2023-24 budget. This significant reduction will leave only eight tariff rates in total, including the 'zero' rate. This streamlined structure promises to make the system more transparent and easier to navigate for businesses.
- **Cess Adjustments for Balance:** While simplifying the tariff structure, the government will implement appropriate cess adjustments. The primary goal is to maintain the overall effective duty incidence, ensuring a balanced approach. However, it's important to note that a few select items will experience a marginal decrease in their effective duty rates.
- **Consolidation of Cesses and Surcharges:** A key objective is to streamline the application of cesses and surcharges. The government proposes to levy *no more than one* cess or surcharge on any given item. This measure will simplify calculations and reduce complexities for businesses. As a direct consequence, the Social Welfare Surcharge will be exempted on 82 tariff lines that are already subject to another cess.

II. Relief on Import of Drugs/Medicines (Focus on Critical Illnesses):

- **Expanded List of Exempted Life-Saving Drugs:** The government is prioritizing relief for patients, particularly those battling cancer, rare diseases, and other severe chronic conditions. To this end, 36 additional life-saving drugs and medicines will be granted full exemption from Basic Customs Duty (BCD). This will make these crucial medications more affordable and accessible.
- **Concessional Duty for More Medicines:** In addition to the full exemptions, six more life-saving medicines will be included in the list that attracts a concessional customs duty of 5%. This provides another avenue for making essential treatments more cost-effective.
- **Support for Domestic Manufacturing of Essential Medicines:** The benefits extend beyond finished products. The full exemption and concessional duty rates will also apply to the bulk drugs used in the manufacture of the aforementioned medicines. This encourages domestic production and reduces reliance on imports for these critical components.
- **Enhancements to Patient Assistance Programs:** Patient Assistance Programs, run by pharmaceutical companies, play a vital role in providing free medicines to patients in need. The government will expand the scope of these programs by adding 37 more medicines to the list of those eligible for BCD exemption. Furthermore, 13 new Patient Assistance Programs will be included in the scheme.

III. Support to Domestic Manufacturing and Value Addition (Key Sectors):

- **Securing Critical Minerals Supply:** Building on the initiatives from the previous budget, the government is further strengthening the domestic supply chain for critical minerals. Full BCD exemption is now extended to cobalt powder and waste, scrap of lithium-ion batteries, lead, zinc, and 12 other strategically important critical minerals. This move aims to secure the availability of these essential resources for domestic manufacturing, fostering growth in key industries and creating more job opportunities for young people.

- **Boosting the Textile Sector:** The government is committed to supporting the growth of the technical textiles sector, which includes agro-textiles, medical textiles, and geo-textiles. To promote domestic production of these specialized materials at competitive prices, two additional types of shuttle-less looms will be added to the list of textile machinery that is fully exempt from BCD. Furthermore, the BCD rate on knitted fabrics covered by nine tariff lines will be revised from "10% or 20%" to "20% or ₹115 per kg, whichever is higher." This adjustment aims to address issues with inverted duty structure and promote domestic value addition.

- **Strengthening Electronics Manufacturing:** The government's "Make in India" policy remains a central focus. To further this goal and address the issue of inverted duty structure within the electronics sector, several adjustments are proposed:
    - *Interactive Flat Panel Displays (IFPD):* The BCD on IFPDs, which are increasingly used in education and businesses, will be increased from 10% to 20%. This aims to encourage domestic production of these displays.
    - *Open Cell and other components:* To support the manufacturing of display panels, the BCD on open cells and other crucial components will be reduced to 5%. This will make these inputs more affordable for domestic manufacturers.
    - *Parts of Open Cells (LCD/LED TVs):* The government has been progressively reducing the BCD on parts of open cells for LCD/LED TVs.

Having reduced it to 2.5% in the previous budget, the BCD on these parts will now be completely eliminated. This is a significant boost to domestic TV manufacturing.

- **Promoting Lithium-Ion Battery Production:** Lithium-ion batteries are critical for both electric vehicles and mobile phones. To incentivize domestic manufacturing of these batteries, the government is expanding the list of exempted capital goods. 35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery manufacturing will now be eligible for BCD exemption.
- **Supporting the Shipping Sector:** Recognizing the long gestation periods involved in shipbuilding, the government proposes to extend the exemption of BCD on raw materials, components, consumables, and parts used in ship manufacturing for another ten years. This will provide continued support to the industry and encourage growth. The same dispensation is proposed for ship breaking, making this activity more competitive.
- **Clarifying Telecommunication Equipment Tariffs:** To prevent classification disputes and simplify tariff structures in the telecommunications sector, the BCD on Carrier Grade ethernet switches will be reduced from 20% to 10%, bringing it in line with the rate for Non-Carrier Grade ethernet switches.

IV. Export Promotion (Enhancing Competitiveness):

- **Facilitating Handicraft Exports:** The government is committed to supporting the handicraft sector. To facilitate exports, the time period allowed for export will be extended from six months to one year, with the possibility of a further three-month extension if needed. Additionally, nine more items will be added to the list of duty-free inputs for handicraft production.

- **Boosting the Leather Sector:** The leather sector plays a significant role in employment generation. To support this sector, Wet Blue leather imports will be fully exempt from BCD, facilitating domestic value addition. Furthermore, the 20% export duty on crust leather will be removed to boost exports by small tanners.
- **Strengthening Marine Product Exports:** India has the potential to become a major player in the global seafood market. To enhance competitiveness in this sector:
  - *Frozen Fish Paste (Surimi):* The BCD on Frozen Fish Paste (Surimi), used in the manufacture and export of analogue products, will be significantly reduced from 30% to 5%.
  - *Fish hydrolysate:* The BCD on fish hydrolysate, used in the production of fish and shrimp feeds, will also be reduced from 15% to 5%.
- **Promoting Domestic MROs for Railway Goods:** In line with the efforts to develop domestic Maintenance, Repair, and Overhaul (MRO) facilities for aircraft and ships, the government will extend the same benefits to the railway sector. The extended time limit for exporting foreign origin goods imported for repairs (currently one year, with a possible one-year extension) will now also apply to railway goods.

V. Trade Facilitation (Simplifying Procedures):

- **Time Limit for Provisional Assessment:** Currently, the Customs Act, 1962, does not specify a time limit for finalizing provisional assessments, leading to uncertainty and increased costs for businesses. To address this, a time limit of two years, extendable by one year, will be introduced for finalizing provisional assessments. This will promote ease of doing business and create a more predictable environment for trade.

VI. Voluntary Compliance (Incentivizing Self-Regulation):

- **New Provision for Post-Clearance Declarations:** The government is encouraging voluntary compliance by introducing a new provision that allows importers and exporters to voluntarily declare material facts and pay any due duty with interest, but *without penalty*, even after the goods have been cleared. This incentivizes self-regulation and transparency. However, this provision will not apply in cases where the department has already initiated audit or investigation proceedings.

VII. Extended Time for End Use (Operational Flexibility):

- **Greater Flexibility for Importers:** To provide industries with greater operational flexibility in managing their imports, the time limit for the end-use of imported inputs (as specified in the relevant rules) will be extended from six months to one year. This allows businesses more time to plan their production and adjust to market conditions. Furthermore, importers will benefit from a reduced reporting burden, as they will now be required to file quarterly statements instead of monthly statements.

Thank You…

COMPILED BY:
CA. PEEYUSH SHARMA, FCA, DISA, CCCAB (ICAI)