# Fostering India's Inclusive Growth

**Budget 2025-26**

pwc

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- Gross tax to GDP ratio expected at 12%

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- New Income-tax Bill to be introduced
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# Economic Outlook

## Fiscal Position

The Government of India estimates that it will better its fiscal deficit target of 4.9% and pegs it at 4.8% for financial year (FY) 2025. It has also budgeted a fiscal deficit of 4.4% for FY26, thereby keeping its commitment to attain a lower than 4.5% deficit by FY26.

**Lower**

Fiscal Deficit

**FY25–26 (BE):** 4.4% of GDP

**FY24–25 (RE):** 4.8% of GDP

**FY25–26 (BE)**

| Revenue (excluding borrowings) | Total Expenditure | Fiscal Deficit |
|---|---|---|
| **INR 35.0trillion** | **INR 50.7trillion** | **INR 15.7trillion** |

## Expenditure Profile

Larger proportional increase in capital expenditure signifies the government's continued focus on improving the quality of public expenditure.

| | **Up 7.4%** Total expenditure | **Up 6.7%** Revenue expenditure | **Up 10.1%** Capital expenditure |
|---|---|---|---|
| **FY25–26 (BE):** | **INR 50.7trillion** | **INR 39.4trillion** | **INR 11.2trillion** |
| **FY24–25 (RE):** | **INR 47.2trillion** | **INR 37.0trillion** | **INR 10.2trillion** |

## Revenue Receipts

10.8% increase in revenue receipts, mainly due to moderation in non-tax revenue growth on the basis of the high base of FY25RE, reflecting realistic revenue estimation.

| | **Up 10.8%** Revenue Receipts | **Up 11%** Net Tax Revenue | **Up 9.8%** Non-Tax Revenue |
|---|---|---|---|
| **FY25–26 (BE):** | **INR 34.2trillion** | **INR 28.4trillion** | **INR 5.8trillion** |
| **FY24–25 (RE):** | **INR 30.9trillion** | **INR 25.6trillion** | **INR 5.3trillion** |

**BE:** Budget estimates

**RE:** Revised estimates

## Tax Revenue

Gross tax-to-GDP ratio expected to improve to 12% in FY2026 from 11.9% in FY2025.

| | Up 10.8% Gross Tax | Up 10.4% Corporation Tax | Up 14.4% Income Tax |
|---|---|---|---|
| **FY25–26 (BE):** | **INR 42.7trillion** | **INR 10.8trillion** | **INR 14.4trillion** |
| **FY24–25 (RE):** | **INR 38.5trillion** | **INR 9.8trillion** | **INR 12.6trillion** |

| | Up 10.9% GST | Up 3.2% Other Taxes |
|---|---|---|
| **FY25–26 (BE):** | **INR 11.8trillion** | **INR 5.7trillion** |
| **FY24–25 (RE):** | **INR 10.6trillion** | **INR 5.5trillion** |

## Non-Debt Capital Receipts

Higher disinvestment receipts budgeted as ‘other receipts’ reflecting expectation to conclude ongoing stake sale processes in some Public Sector Undertakings (PSUs) during FY26.

| | Up 28.8% Non-Debt Capital Receipts | Up 11.5% Recovery of Loans | Up 42.4% Other Receipts |
|---|---|---|---|
| **FY25–26 (BE):** | **INR 0.76trillion** | **INR 0.29trillion** | **INR 0.47trillion** |
| **FY24–25 (RE):** | **INR 0.59trillion** | **INR 0.26trillion** | **INR 0.33trillion** |

## Government Debt

The Central Government debt is budgeted to reduce to 56.1% in FY26 with a target to attain Central Government debt to GDP level of about 50±1% by 31 March 2031 as part of the fiscal consolidation glide path.

**Lower**

Government Debt

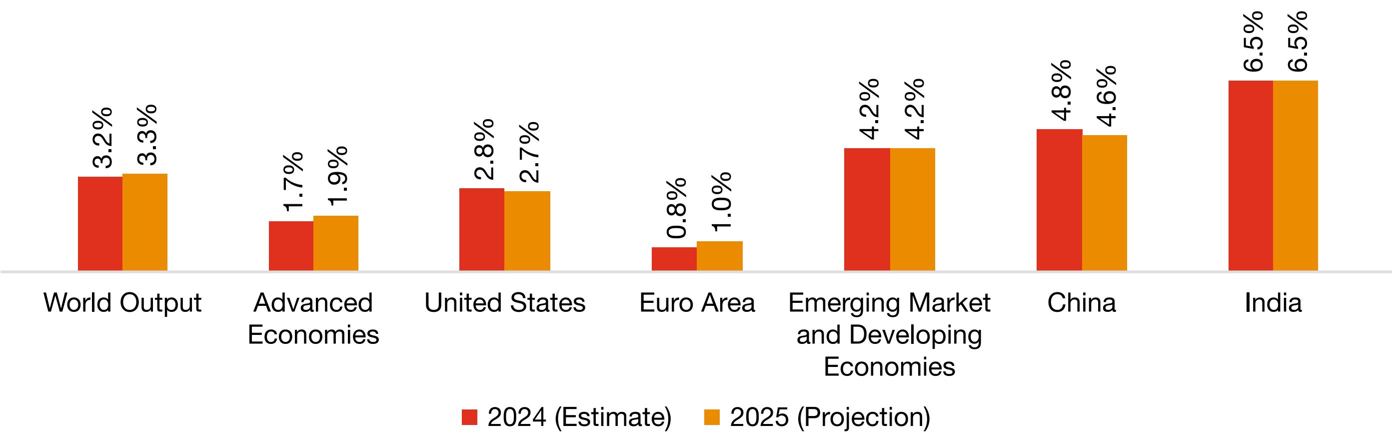
**FY25–26 (BE):** 56.1% of GDP

**FY24–25 (RE):** 57.1% of GDP

## India is expected to remain fastest growing major economy in the world

As per the first advance estimates, India's economic growth is expected to moderate to 6.4% in financial year (FY) 2025 compared to 8.2% growth in FY24, mainly due to slowdown in urban consumption, high food inflation, slow growth in capital formation and global headwinds. However, India is expected to remain the world's fastest growing in 2025, supported by a strong domestic market, rising working age population and strong macroeconomic fundamentals.

### Annual GDP growth at constant prices

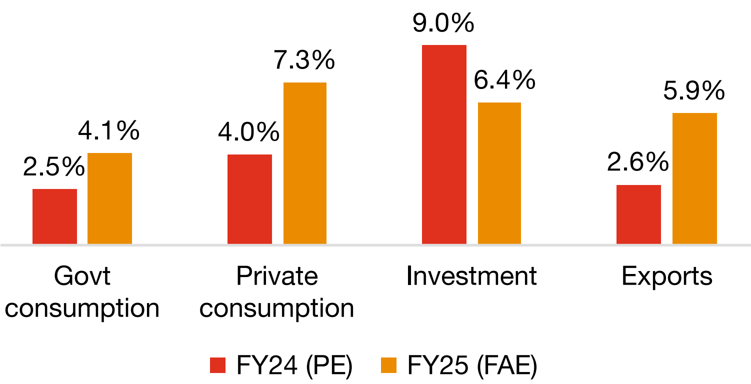



**Source:** International Monetary Fund, World Economic Outlook Update, January 2025

## Robust growth in domestic consumption and exports but slowdown in urban demand and investment in FY25

Government consumption growth is estimated to improve in FY25 given the increase in the revenue expenditures of both State and Union Governments, while private consumption growth is expected to be driven by rural demand, easing inflation and a favourable base. However, high frequency indicators such as passenger vehicle sales and Fast Moving Consumer Goods reflect weakness in urban demand. Exports are also expected to witness strong growth supported by robust growth in services exports. Investment growth is expected to drop slightly in FY25 due to slowdown in capital expenditure at both the state and central government level as well as due to a lack of pick-up in private investment.

### Growth rates for government and private consumption, investment and exports at constant prices




**Source:** First advance estimates of GDP for 2024–25, Ministry of Statistics and Programme Implementation (MoSPI)

## Outlook

The economic survey projects growth in the range of 6.3% to 6.8% in FY26. There are downside risks to the growth that emerge primarily from the external sector. Inflation is expected to moderate to an average of 4.5% in FY26, aided by a favourable food inflation with good harvest and normal monsoon expected and softening commodity prices. The exchange rate, which has been under pressure, should improve, as the volatility in Foreign Portfolio Investor (FPI) flows subsides and crude price softening begins to lower the prices of the Indian crude import basket.

# Key tax and regulatory proposals

## Tax rates

### Income Tax

- Income-tax rates (including surcharge and health and education cess) for individuals to remain unchanged for taxpayers opting for the old tax regime.
- For assessment year (AY) 2026–27, tax slabs for the New Personal Tax Regime (NPTR) are set out below:

| Existing | | Proposed | |
|---|---|---|---|
| **Total Income (in INR)** | **Tax rates** | **Total Income (in INR)** | **Tax rates** |
| 0 – 300,000 | Nil | 0 - 400,000 | Nil |
| 3,00,001 to 700,000 | 5% | 4,00,001 to 800,000 | 5% |
| 7,00,001 to 10,00,000 | 10% | 8,00,001 to 12,00,000 | 10% |
| 10,00,001 to 12,00,000 | 15% | 12,00,001 to 16,00,000 | 15% |
| 12,00,001 to 15,00,000 | 20% | 16,00,001 to 20,00,000 | 20% |
| Above 15,00,000 | 30% | 20,00,001 to 24,00,000 | 25% |
| | | Above 24,00,000 | 30% |

- Tax rebate is proposed to be enhanced from INR 25,000 to INR 60,000 having an effect of Nil tax liability up to total income of INR 12,00,000.
- No change in corporate income-tax rates.

**Key takeaways:**

- The revised tax slabs are expected to reduce the financial burden for the middle class, giving them more disposable income which will help in boosting household consumption, increasing personal savings, and spurring investment.
- Salaried taxpayers earning income up to INR 12,75,000 need to pay **zero** tax as per the revised tax slabs under NPTR.

## Customs

- Specific changes in effective Basic Customs Duty (BCD) rate from 2 February 2025 are to be brought forth to correct the inverted duty structure:

| Description | Chapter/ Tariff Heading | Earlier BCD | New effective BCD |
|---|---|---|---|
| Open cell for Interactive Flat Panel Display Module | 8524 | 15%/10% | 5% |
| Inputs and Parts of the Open Cells for use in the manufacture of Television Panels of LED/ LCD TV. | 8529 | 2.5% | Nil |
| Interactive Flat Panel Displays (CBU) | 8528 59 00 | 10% | 20% |
| Knitted Fabrics | Specified heading to chapter 60 | 20%/10% | 20% or INR 115/kg, whichever is higher |

- Only one cess [either Social Welfare Surcharge (SWS) or Agriculture Infrastructure and Development Cess (AIDC)] is to be levied on any product to ensure same effective Customs duty where the BCD rate slabs are realigned.
- Exemptions from SWS rate from 2 February 2025 are provided for 82 Tariff Lines, such as the following:
  - Solar cells
  - Luminaries and lighting fittings, including searchlights and spotlights and parts thereof, etc.
  - Parts of electronic toys
  - Solar module and other semiconductor devices and photovoltaic cells
  - Motor vehicles for transport of ten or more persons
  - Motor vehicles for transport of goods. Motor cars other than Completely Built Units (CBU) with CIF value exceeding USD 40,000.
- 35 and 28 new specified capital goods for use in manufacture of EV and mobile phone industry, respectively, are added in the list of exempted capital goods.
- After a comprehensive review of the general exemption notifications, out of 25 entries, 24 are retained and 1 entry is removed. Therefore, with effect from 1 April 2025, 20% BCD to apply on heat coil for use in the manufacture of electrical kitchen chimneys.
- Extension of export timeline and added duty-free inputs to industries such as handicraft. The leather and marine industry also benefit from reduced BCD to promote manufacturing and exports.
- Rate of AIDC is increased with effect from 2 February 2025 on certain goods, such as the following:
  - Specified footwear – from Nil to 18.5%
  - Solar Cells – Nil to 7.5%
  - Specified motor vehicles of Headings 8702, 8703 and 8704 – Nil to 20%/ 67.5%.
  - Laboratory chemicals – Nil to 70%
  - Luminaries and lighting fittings – Nil to 5%.

**Key takeaway:** The government continues with its objective to reduce the tax complexity and rationalisation of inverted duty structure to facilitate Make in India.

## Widening and deepening of tax base

### Income Tax

- To encourage voluntary compliance, the time limit to file an updated return of income is extended from 24 months to 48 months from the end of the Assessment Year (AY). The additional tax outflow is tabulated below:

| Time Period | Additional Tax |
|---|---|
| Upto 12 months | 25% |
| After 12 months and upto 24 months | 50% |
| After 24 months and upto 36 months | 60% |
| After 36 months and upto 48 months | 70% |

- With effect from 1 April 2025, it is proposed that no fresh lease of eight years to be available to accumulated losses in a merger/amalgamation. Losses to be allowable for the unexpired period only.
- The scope of definition of Virtual Digital Assets (VDAs) is proposed to be expanded to include any crypto-asset, being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions.

**Key takeaways:**

- Enhanced time limit to file updated tax return will encourage taxpayers to self rectify mistakes and avoid protracted tax litigation.
- Limiting the set off of accumulated losses would impact cost benefit of amalgamations for the industrial undertakings that have accumulated losses.
- Seemingly, the definition of VDA has been expanded to align it with the definition of 'crypto asset' mentioned in the OECD's Crypto-Asset Reporting Framework.

## Tax certainty

### Income Tax

- Scope of safe harbour rules to be expanded. Detailed rules are awaited.
- Investments held by investment funds [Category I or II Alternative Investment Fund (AIFs)] are deemed to be 'capital assets'.
- Long-term capital gains (LTCG) on the sale of unlisted debt investments (whether or not such capital gains are deemed to be short-term under the current provisions) are to continue to qualify for the exemption available to Sovereign Wealth Funds (SWFs) and Pension Funds (PFs).
- LTCG arising in the hands of Real Estate Investment Trust and Infrastructure Investment Trust upon the sale of listed shares are to be taxed at a concessional rate of 12.5%.
- To augment the government's Semicon India Programme, presumptive taxation is proposed to be introduced for non-residents providing services or technology to resident companies for setting up an electronics manufacturing facility.
  - Income is deemed as 25%

- Effective tax rate payable is 8.75% (35% of deemed income), excluding surcharge and cess
- It is clarified in the frequently asked questions introduced post the Budget that services provided by technical personnel is also part of the presumptive scheme.

- It is proposed to clarify that a Significant Economic Presence (SEP) will not constitute for a transaction confined to the purchase of goods in India for the purpose of export.

**Key takeaways:**

- Year after year, the government has consistently focused on promoting manufacturing in India, simplifying tax laws and providing tax certainty. This year is no exception. Apart from harmonising the SEP provisions with the concept of 'business connection', this new presumptive scheme offers greater tax certainty, helps in determining the tax costs upfront and lowers the risk of protracted tax litigation.
- The extension of sunset date for tax exemptions on investments made by SWFs and PFs will significantly aid in boosting investment and growth in the infrastructure sector.
- The expansion of safe harbour provisions aims to reduce litigation and provide greater certainty in international taxation, which could certainly impact Global capability centers.

## Customs

- A new provision is introduced, which allows importers and exporters to voluntarily revise the entries, post clearances. Based on the revisions, the importer or exporter is allowed to either avail refund of excess duty paid or make payment of differential duties and interest (but without penalty), in case of excess or short payment of duty at the original instance, respectively. However, this revision is not allowed in specified cases, e.g. investigation, audit and re-assessment.
- Extension of specific conditional BCD exemptions (Notification No. 50/2017 - Customs dated 30 June 2017) is extended beyond 31 March 2025 for a one- to ten-year periods as set out below:

| Description | End Date |
|---|---|
| Specific bulk drugs for manufacture of drugs or medicines | 31 March 2029 |
| Bulk drugs used in the manufacture of polio vaccine and Mono component insulins | 31 March 2029 |
| Goods for the manufacture of telecommunication grade optical fibres or optical fibre cables | 31 March 2027 |
| Goods for use in the manufacture of Open cell of LCD and LED TV panel | 31 March 2027 |
| Parts of wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators | 31 March 2026 |
| Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind-operated electricity generators | 31 March 2026 |

**Key takeaway:** Tax certainty is a key pillar of trade facilitation. Based on stakeholders' consultations, the proposed measures endeavour to encourage voluntary compliances to avoid possible dispute in the future and also extend status quo on critical exemptions.

## GST

- With a view to nullify the impact of the recent judgement by the Supreme Court in the case of Safari Retreat[1], the phrase 'plant or machinery' is proposed to be replaced with 'plant and machinery' in section 17(5)(d) of the Central Goods and Services Tax Act, 2017 (CGST Act), retrospectively from 1 July 2017. A new entry is inserted in Schedule III retrospectively from 1 July 2017.
- Supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehouse Zone (FTWZ) to any person before clearance for exports or to the Domestic Tariff Area are deemed to be not supply. No refund can be claimed in respect of any tax previously paid in this regard.
- Provisions in relation to time of supply of vouchers are omitted, in view of the intention of the government not to treat transaction in vouchers as supply.

**Key takeaway:** The amendment aimed at nullifying the impact of Supreme Court judgement, would have significant implications for industry stakeholders, particularly concerning blocked input tax credits on buildings and civil structures. Businesses are to promptly conduct thorough assessment of the impacted assets to determine if they qualify as 'plant and machinery' under GST law, as this classification would maintain their eligibility for input tax credits. The insertion of the new entry in Schedule III in respect of supply of goods warehoused in SEZ or FTWZ seems to settle the issue once and for all and clearly clarifies the intention of the government not to treat such transactions as a supply.

# Rationalisation and simplification

## Income Tax

- Presently, the annual value of a self-occupied house property which cannot be occupied by the owner is considered 'Nil' if there are specified reasons. Amendments are now proposed to provide that the annual value of the property is to be considered Nil if it is not self-occupied for **any reason**.
- Block assessment for transfer pricing assessment proceedings
  - Changes are proposed in the existing transfer pricing assessment provisions to introduce multi-year ALP determination.
  - The proposed amendment provides that the ALP for an international transaction for any year will apply to a similar transaction for the next two consecutive years.
  - The taxpayer needs to opt for block assessment. The option will be subject to the validation and subsequent examination of the ALP by the Transfer Pricing Officer (TPO). The form, manner and timelines are to be prescribed.
  - These changes are to take effect from 1 April 2026.
- Deemed dividend provisions are to be relaxed on a loan or advance by a Finance Company / Unit undertaking treasury activities in the IFSC, to its group entity listed outside India. Conditions in this regard are to be prescribed.

[1] Civil Appeal No. 2948 of 2023 dated 3 October 2024

- Key revisions in Tax Deduction at Source (TDS) thresholds:

| Section | Present Threshold | Proposed Threshold |
|---|---|---|
| 194 | INR 5,000 | INR 10,000 |
| 194I | INR 240,000 during the financial year (FY) | INR 50,000 per month or part of a month (i.e. INR 600,000 during the FY) |
| 194J | INR 30,000 | INR 50,000 |

For other TDS related revision in thresholds, kindly refer to **Annexure – A**.

- The threshold limit for Taxes Collected at Source (TCS) under the Liberalised Remittance Scheme (LRS) and for sellers of overseas tour packages is proposed to be reduced from INR 0.7m to 1m. TCS provisions on the sale of goods to not apply with effect from 1 April 2025. For details, kindly refer to **Annexure – B**.
- The period for processing of immunity applications by the tax officer is extended from one month to three months from the end of the month in which the tax officer receives the application.
- The time limit to pass the penalty order is rationalised to six months from the end of the relevant quarter in which –
  - proceedings pursuant to which the penalty is initiated are completed; or
  - revision order is passed; or
  - order is received by the relevant authorities, in case of appeal; or
  - notice of penalty initiation is issued.
- For computing the limitation period for various proceedings, the commencement date and the end date is clarified with regard to the stay granted by court. The period beginning from the date of grant of stay order by any court till the receipt of the certified copy of the order vacating the stay by jurisdictional Principal Commissioner or Commissioner, is to be excluded.

**Key takeaways:**

- Introduction of block assessment for transfer pricing proceedings is in line with international tax practices and would result in releasing significant administrative burden for the taxpayers. Rules in this regard are currently awaited, and it will be an interesting space to watch out for.
- The amendments related to TDS / TCS aims at improving cash flow for businesses, particularly for small and medium enterprises, while ensuring that tax collection remains robust and targeted towards significant transactions.

## Customs

- Rationalisation of existing Customs duty rate slabs from 15 to 8, including zero rate, with effect from 1 May 2025 are to be carried out as follows:
  – Existing tariff rate from 25%, 30%, 40% is changed to 20%.
  – Existing tariff rate from 150%, 120% and 100% is changed to 70%.

**Illustrative examples are set out below:**

| Description | Chapter/ Tariff Heading | Earlier BCD | New effective BCD |
|---|---|---|---|
| Specified Footwear | 6401 – 6405 | 35% | 20% |
| Sollar Cells | 8541 42 00 | 40% | 20% |
| Solar Modules/ specified semi-conductor devices/ PV cells | 8541 43 00<br>8541 49 00 | 40% | 20% |
| Motor vehicles for transport of 10 or more persons | 8702 | 40% | 20% |
| Passenger Cars | 8703 | 125% | 70% |
| Motor vehicles for transport of Goods | 8704 | 40% | 20% |
| Specified motorcycles (with or without side car) | 8711 | 100% | 70% |
| Luminaries and lighting fittings etc. | 9405 | 25% | 20% |
| Parts of electronic toys | 9503 00 91 | 70% | 20% |
| Laboratory Chemicals | 9802 00 00 | 150% | 70% |

However, the effective Customs duty remains unchanged.

- Re-alignments in Customs Tariff Act, 1975 notified with effect from 1 May 2025 in terms of the following:
  – Creation of new Tariff lines and explanations in certain chapters (Chapter 29, 38).
  – Alignment with the Explanatory Notes of HSN 2022 (Chapter Note 2 to Chapter 85).

**Key takeaway:** Realignment of duty slabs is expected to aid not only administration but is also a step towards a leaner duty structure which is predictable and easy for compliances.

## GST

- Pre-deposit for cases involving only penalty (no tax demand involved) is revised as below:
  - Reduced from 25% to 10% of penalty for appeal before the appellate authority for cases under section 129(3) of the CGST Act.
  - For cases involving penalty other than under section 129(3) of the CGST Act, the pre-deposit is to be 10% of the penalty at the appellate authority and Tribunal level.
- Definition of 'Input Service Distributor' (ISD) and provisions relating to manner of distribution by ISD are amended. Distribution of input tax credit (ITC) paid in respect of Integrated Goods and Service Tax (IGST) paid under reverse charge mechanism enabled.

## Central Excise

- Under the Central Excise Law, the Settlement Commission is to be dissolved with effect from. 1 April 2025, and Interim Boards for Settlement (Interim Boards) are proposed to be established to process all pending applications.

## Regulatory

- To provide speedy approvals, the scope of fast-track mergers to be widened, and the process to be simplified.
- Jan Vishwas Bill 2.0 to decriminalise more than 100 provisions in various laws.

**Key takeaway:** Simplifying the company merger process can speed up integration, realize synergies faster, and reduce legal and administrative costs. Additionally, decriminalizing various provisions may create a more business-friendly environment, encouraging entrepreneurship, innovation, and economic growth.

# Ease of doing business

## Income Tax

- The provisions providing for higher TDS or TCS for non-filers of return of income are proposed to be deleted with effect from 1 April 2025.
- With an aim to further boost start-ups in India, the period for incorporation of eligible start-ups claiming tax holiday is to be extended by five years from 1 April 2025 to 1 April 2030.
- Relaxation to be provided from invoking prosecution-related provisions in case of delayed deposit of TCS, up to the due date of filing the TCS return (akin to TDS provisions).

**Key takeaway:** These are positive steps towards incentivising start-ups, reducing the risk of default and moderating the compliance burden for deductors or collectors of TDS or TCS.

## Customs

- To increase certainty through procedural ease, the following changes in Customs law are provided:
  - Provisional assessment to be finalised within a period of two years extendable on merits by one year, except in specified cases (e.g. when any information is being sought from an authority outside India through a legal process, an appeal in similar matter of the same person is pending before any Appellate Tribunal, High Court, Supreme Court, etc.). For pending provisional assessments, the period for finalisation is to be counted from the date of enactment of the Finance Act, 2025.
  - The Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use), Rules 2022 are revised to relax compliances, i.e. returns are to be filed quarterly instead of monthly, and the time period of utilisation of goods is extended from six months to one year.

**Key takeaway:** The measures relating to relaxation of periodic compliances and ensuring closure of assessment in a time-bound manner are expected to reduce the compliance and business costs.

## Regulatory

- A high-level committee to review all non-financial sector regulations to strengthen trust-based economic governance.
- Foreign Direct Investment (FDI) limits under the Insurance sector to be liberalised from 74% to 100% for companies investing the entire premium in India.
- Current guardrails and conditionalities associated with foreign investment to be reviewed and simplified.

**Key takeaway:** Regularization and simplification of non-financial sector and FDI regulations are poised to create a more conducive environment for business operations and foreign investments. These changes are expected to drive economic growth, enhance competitiveness, and foster a more transparent and predictable regulatory landscape.

# Financial services and Capital markets

## Income Tax

- Sunset period for tax neutrality on relocation of offshore funds to International Financial Services Centre (IFSC) extended to 31 March 2030.
- Tax neutrality extended to relocation of offshore funds to Exchange Traded Funds and retail funds in the IFSC.
- For claiming tax holiday on account of transfer of any aircraft or ship, the timeline for commencement of operations by an IFSC unit leasing such aircraft or ship is now extended from 31 March 2025 to 31 March 2030.
- The deadline for making investments by SWFs and PFs in the infrastructure sector is extended from 31 March 2025 to 31 March 2030.
- Fund managers managing offshore funds to determine the condition of up to 5% participation in offshore funds by persons resident in India semi-annually on April 1 and October 1. Non-compliance (if any) to be cured within four months.
- Uniform tax rate of 12.5% to be applicable on LTCG derived by Foreign Institutional Investors (FIIs) or other specified funds in securities other than listed equity shares.

- Exemption available to non-residents on non-deliverable forwards or Overseas Derivative Instrument contracts with Offshore Banking Units is now extended to IFSC-based FPIs.
- Time limit for commencing the operations by an IFSC unit, for claiming exemption on the income of a non-resident recipient by way of royalty or interest, on account of lease of a ship or aircraft, is now extended from 31 March 2025 to 31 March 2030.
- Exemption on dividend income from one IFSC unit to another IFSC unit, earlier available to aircraft leasing entities, is now extended to ship-leasing entities.
- Exemption on capital gains arising on transfer of equity shares by one IFSC unit to another IFSC unit, earlier available to a non-resident or an IFSC unit engaged in aircraft leasing, is now extended to ship leasing entities. Furthermore, the time limit for commencing the operations for ship or aircraft leasing entities is now extended from 31 March 2026 to 31 March 2030.
- Exemption is provided to non-residents on proceeds received from life insurance policies availed from IFSC Insurance Offices.

## Regulatory

- SWAMIH Fund 2 of INR 150bn to be established with contribution from the government, banks and private investors, for the completion of an additional 100,000 dwelling units.

**Key takeaway:** The focus on building mechanisms for impact evaluation, enhancing the financial sector's responsiveness, and establishing the SWAMIH Fund 2 may act as an important economic growth factor fostering a robust, inclusive and dynamic framework. Further, the establishment of SWAMIH Fund 2 may lead to the promotion of the real estate sector while addressing social needs. This will provide a significant boost to the real estate sector, particularly in the completion of stalled projects.

# Other key proposals

## Customs

- Interim Board to replace Settlement Commission covering Central Excise Act, 1944. The process and working of the proposed Interim Board are prescribed. However, no application can be made before the Interim Board post 1 April 2025.

## GST

- Requirement for reversal of ITC (attributable to a credit note) by the recipient, to reduce the supplier's output tax liability.
- A new provision is inserted to provide for 'Track and Trace' mechanism for ensuring effective monitoring and control of supply of specified commodities. This is to be implemented by affixing a Unique Identification Mark (UIM). A new penal provision for contraventions in this regard is inserted.
- A special provision is inserted to give retrospective exemption from service tax on reinsurance services provided by insurance companies under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme (from 1 April 2011 to 30 June.2017) along with a refund mechanism in cases where service tax has been collected.

## Regulatory

- The coverage and scope of Micro, Small and Medium Enterprises (MSMEs) is proposed to be broadened, and investment and turnover criteria are to be enhanced as follows:-

| Category | Investment (INR in m) | | Turnover (INR in m) | |
|---|---|---|---|---|
| | Current | Revised | Current | Revised |
| Micro Enterprises | 10 | 25 | 50 | 100 |
| Small Enterprises | 100 | 250 | 500 | 1000 |
| Medium Enterprises | 500 | 1,250 | 2,500 | 5,000 |

- The National Manufacturing Mission is introduced, focusing on ease and cost of doing business, a dynamic MSME sector, future-ready workforce, and availability of technology and quality products.
- A Centre of Excellence is to be set up in artificial intelligence for education.
- A national framework is to be set up for promoting global capability centres in emerging Tier-2 cities.
- Gig workers to be eligible for healthcare benefits under the PM Jan Arogya Yojana.
- Clean tech manufacturing to be used for solar PV cells, EV batteries, motors and controllers, electrolyzes, wind turbines, very high voltage transmission equipment and grid-scale batteries.
- Schemes to be formulated with focus on the development of clusters, skills and manufacturing ecosystem for making India a global hub for toys.
- Schemes for India's footwear and leather sector to be launched for boosting design capacity, component manufacturing.
- A new fund of funds to be set up for start-ups with expanded scope, and a fresh contribution of another INR 100bn to be made.
- Digital public infrastructure 'BharatTradeNet' to be set up for international trade as a unified platform for trade documentation and financing solutions.

# Industry Speaks

"A growth and consumption-oriented budget: Amendments ranging from the New Income Tax Bill are to be presented in the current session., exempting personal Income-tax up to INR 12,00,000/- under the new tax regime (which would result in increased expenditure towards personal consumption), multi-year arm's length price determination from a transfer pricing perspective (in line with the provisions in developed countries) and rationalisation of withholding tax provisions and Customs duty rates – Strong step for India moving towards developed economy."

**Abhinav Sogani**
**Tata Consumer Products**
**Tax Head**

"The Union Budget 2025 reinforces India's growth agenda with a push for education, exports, consumption and regulatory reforms. The 6.65% increase in allocation for the education sector will accelerate skill development, aligning with the vision of 'Viksit Bharat'. Measures to boost exports will drive GDP growth, creating more opportunities. The much-awaited tax relief for the middle class will enhance disposable income, stimulating demand and contributing to the desired level of economic growth. Overall, this budget supports economic momentum and strengthens the foundation for a digital-first, skill-driven economy to contribute to India's progress."

**Sanjeev Bansal**
**NIIT Limited**
**CFO**

"The Indian Government's Budget 2025 is focused on fostering growth and simplifying tax regulations. The increase in individual tax limits provides higher disposable income, boosting consumption. Rationalising TDS and TCS compliances enhance ease-of-doing business, supporting entrepreneurs. Extensions of the sunset clauses for sovereign wealth funds startups and IFSC units aim to attract investments. The introduction of a new Income Tax Bill promises to simplify the tax code. Not raising the capital gains tax rate and avoiding inheritance tax alleviate investor concerns, encouraging further investment. Overall, the budget balances economic growth, ease of compliance and investment promotion effectively."

**Ravi Shingari**
**Apollo Tyres**
**Group Head – Accounts and Tax**

"The Union Budget 2025–26 will play a crucial role in driving growth and fostering inclusive development. It focuses on sustaining economic expansion, enhancing infrastructure, improving the ease-of-doing business, bolstering social programs and healthcare, and supporting MSMEs. The SWAMIH Fund 2, with an allocation of INR 15,000crores, along with the capital expenditure allocation and INR 1.5lakh crore allocation in interest-free loans for states, will serve as a catalyst for strengthening the economy."

**Vineet Singhal**
**Gaursons Group**
**CFO**

"Budget 2025 has reaffirmed the government's policy of tax certainty. Income-tax breaks to boost consumption should augur well for the economy. While we await the New Income Tax Bill, efforts to streamline TDS and TCS provisions should reduce compliance burden on corporates."

**Ashok Dharmarajan**
**ITC Limited**
**Executive V.P. and Head (Corporate Tax)**

# Annexures

## Annexure A – Revision of thresholds applicable to TDS

| Section | Description | Current threshold | Proposed threshold |
|---|---|---|---|
| **193** | Interest on securities | Nil* | INR 10,000 |
| **194A** | Interest other than interest on securities | (i) INR 50,000 for senior citizens; (ii) INR 40,000 for others when the payer is bank, cooperative society or post office; (iii) INR 5,000 in other cases | (i) INR 1,00,000 for senior citizens; (ii) INR 50,000 for others when the payer is bank, cooperative society or post office; (iii) INR 10,000 in other cases |
| **194K** | Income in respect of units of a mutual fund or specified company or undertaking | INR 5,000 | INR 10,000 |
| **194B** | Winnings from lottery, crossword puzzle, etc. | Aggregate of amounts exceeding INR 10,000 during the FY | INR 10,000 in respect of a single transaction |
| **194BB** | Winnings from horse race | Aggregate of amounts exceeding INR 10,000 during the FY | INR 10,000 in respect of a single transaction |
| **194D** | Insurance commission | INR 15,000 | INR 20,000 |
| **194G** | Income by way of commission, prize, etc. on lottery tickets | INR 15,000 | INR 20,000 |
| **194H** | Commission or brokerage | INR 15,000 | INR 20,000 |
| **194LA** | Income by way of enhanced compensation | INR 250,000 | INR 500,000 |

**These amendments are to take effect from 1 April 2025.**

* Threshold for interest on debentures payable to individual or HUF issued by a company in which the public are substantially interested was INR 5,000 earlier.

# Annexure B – Relaxation of threshold for TCS on LRS

| Description | Current threshold | Proposed threshold |
|---|---|---|
| LRS for education financed by loan from specified financial institution | Nil upto INR 0.7m<br>0.5% above INR 0.7m | TCS not applicable |
| Purchase of overseas tour program package | 5% till INR 0.7m<br>20% above INR 0.7m | 5% till INR 1m<br>20% above INR 1m |
| LRS for medical treatment or education (other than financed by loan from a specified financial institution) | Nil upto INR 0.7m<br>0.5% above INR 0.7m | Nil upto INR 1m<br>0.5% above INR 1m |
| LRS for other purposes | Nil upto INR 0.7m<br>5% above INR 0.7m | Nil upto INR 1m<br>5% above INR 1m |

**These amendments are to take effect from 1 April 2025.**

# About PwC

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