

1 February 2025

Tax Alert - Key announcements
of Union Budget 2025



Shape the future
with confidence

Union BUDGET 2025-26

Budget 2025 - Steering India towards Viksit Bharat



Aashish Kasad

*Partner and National Leader - Chemicals and Agriculture Sector
EY - India*

Amid continuing global geopolitical headwinds which suggest lower global economic growth over the medium term, the Indian economy has emerged as the fastest-growing economy amongst all major global economies. The Indian economy has been robustly supported by the chemical sector which has shown resilience and has emerged as a cornerstone to the agriculture and manufacturing sector, which play a vital role in achieving India's goal of becoming a USD 5 trillion economy.

Given this backdrop, the Indian Budget 2025 has continued to lay down the framework of Modi government's efforts towards accelerating growth and securing inclusive development, boosting private sector investments, uplifting household sentiments and enhancing spending power of middle class.

Budget 2025 aims to achieve the twin objectives of continuing to embark on the path of fiscal prudence, and spurring domestic consumption, thereby catalysing the growth of India's GDP, exports and MSMEs.

While sector specific reforms and the much-awaited PLI scheme, could have provided the much desired stimuli for a sector which has been bravely bracing headwinds through challenging times, the reforms proposed in the Budget 2025 will augment consumption-driven manufacturing and agriculture sector growth, indirectly giving an impetus to the chemical industry.

#EYonBudget2025

How does the budget impact Chemical sector?

In the pursuit of *Viksit Bharat*, following announcements made to invigorate the MSMEs and bolster manufacturing and exports which in-turn will provide an impetus to the Chemical Industry:

Boost to Manufacturing sector

- Setting up of an additional urea plant with annual capacity of 12.7 lakh metric tons at Namrup, Assam - Positive impact for Fertilizers
- Setting up National Manufacturing Mission for furthering 'Make in India' which will also support Clean Tech manufacturing and aiming to build ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid scale batteries - Positive impact for Chemicals
- Implementation of scheme under National Action Plan for toys that will represent 'Make in India' brand - Positive impact for Specialty chemicals
- 3-year pipeline of infrastructure projects under PPP mode will be announced - Positive impact for Construction chemicals

Impetus to MSMEs

- To support MSMEs, several financial policies announced:
- Investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively
- Setting up of Export Promotion Mission facilitating easy access to export credit, cross border factoring support and tackle non-tariff measures in overseas countries
- Enhance Credit Guarantee Scheme for MSMEs in the Manufacturing Sector
- Customised credit cards with INR5 lakh limit for micro enterprises

Investment in economy

- Allocation of INR20,000 crores to implement private sector driven research, development and innovation initiative
- Asset Monetization Plan will be launched with a target of INR10 lakh crore for 2025-30

Focus on Ease of doing business and Skilling

- Scope for fast-track mergers will be widened and process for speedy approvals for company mergers will be rationalised
- Current model of Bilateral Investment Treaties will be revamped and made more investment friendly
- Setting up National Centres of Excellence for Skilling and specific policy and facilitation measures for labour intensive sectors will be undertaken
- National framework will be formulated for promoting Global Capability Centres in emerging Tier 2 cities

Highlights



12.7 lakh metric tons

New Urea plant in Namrup, Assam



Incentives to MSME sector



INR20,000 crore

Allocation towards private sector research, development and innovation



Asset Monetization Plan 2025-2030
INR10 lakh crore

- Key Direct tax related proposals
 - New income tax bill will be announced
 - No specific announcements for chemical sector
- Key Indirect tax related proposals
 - Reduction in BCD - effective 2 February 2025

HSN Code	Description	Rate movement (%)	
		From	To
2933 59	Aminophylline (cordophyllin), Trimethoprim, Diethyl carbamazine citrate, 1-Amino-4-Methyl piperazine, Other -Compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure	10%	7.5%
3302 10	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food or drink industries classified under tariff sub heading 3302 10	100%	20%
3824 60	Sorbitol other than that of sub- heading 2905 44	30%	20%
8101 97 00	Tungsten Waste and Scrap	5%	NIL
8102 97 00	Molybdenum Waste and Scrap	5%	NIL
8103 30 00	Tantalum Waste and Scrap	5%	NIL
8105 30 00	Cobalt Waste and Scrap	5%	NIL
8106 90 10	Waste and Scrap of Bismuth and Bismuth alloys	5%	NIL
8109 31 00, 8109 39 00	Zirconium Waste and Scrap	10%	NIL
8110 20 00	Antimony Waste and Scrap	5%	NIL
8112 13 00	Beryllium Waste and Scrap	5%	NIL
8112 41 20	Rhenium Waste and Scrap	5%	NIL
8112 61 00	Cadmium Waste and Scrap	5%	NIL

- Concessional BCD rate on import of specified goods under various notifications extended as below:

HSN Code	Commodity	Rate	Extended till
2825 60 20	Ceria zirconia compounds for use in the manufacture of washcoat for catalytic converters	5%	31 March 2026
2846 10 90	Cerium compounds for use in the manufacture of washcoat for catalytic converters	5%	31 March 2026
3824 99 00	Zeolite for use in the manufacture of washcoat for catalytic converters	5%	31 March 2026
Any Chapter	The following goods for the manufacture of Preform of Silica, namely: (i) Refrigerated Helium Liquid (2804); (ii) Germanium Tetra Chloride (2812); (iii) Silica tetra chloride (2812); (iv) Silica tube (7002); (v) Silica Rods (7002)	NIL%	31 March 2027

- Reduction of import duty for Phosphoric Acid sourced from the United States of America (USA):
 - Specific entry mandating higher BCD rate of 10% applicable on Phosphoric Acid if originating or exported from the USA has been deleted. Consequently, BCD rate of 5% would apply for imports of Phosphoric acid from all countries, without exception.
- Changes in Customs Duty rate applicable on Laboratory Chemicals (other than those attracting 10% BCD for specified end use) effective from 2 February 2025:
 - Reduction in BCD - effective 2 February 2025

HSN Code	Commodity	Rate movement (%)	
		From	To
9802 00 00	Laboratory Chemicals (other than those attracting 10% BCD for specified end use)	150%	70%

- Revision in AIDC

Heading, Sub-heading, tariff items	Commodity	Rate movement (%)	
		From	To
9802 00 00	Laboratory Chemicals (other than those attracting 10% BCD for specified end use)	NIL	70%

- Exemption from levy of SWS for Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use)

Based on above duty rate changes, there is a reduction in overall effective Customs Duty on import of Laboratory Chemicals under CTH 9802 00 00 (other than those attracting 10% BCD for specified end use).

- New tariff entries have been introduced for certain dual-use chemicals to address challenges faced by exporters due to export control regulations.

Impact analysis

Budget 2025, in its pursuit of the ambitious 'Viksit Bharat' initiative, embodies the spirit of inclusivity and is driven by a series of transformative reforms. It is anchored by the four engines of growth: Agriculture, MSME, Investment, and Exports.

The Budget's overarching goal is to unlock the potential of domestic consumption-led growth, incentivize the MSME sector to enhance manufacturing capabilities, promote exports, and nurture a culture of innovation across various industries. These initiatives are anticipated to surge the demand for a wide array of chemical products, ranging from basic commodities to specialized chemicals.

The Indian chemical industry, which has been grappling with a myriad of challenges including global economic volatility, geopolitical tensions, and aggressive competition from low-cost Chinese exports, has shown commendable resilience. Recognizing the industry's strategic importance, Budget 2025 has laid out several announcements intended to invigorate the manufacturing and energy sectors.

One of the pivotal moves in Budget 2025 is the significant strengthening of the MSME segment. By increasing the thresholds for investment and turnover, the budget aims to expand the operational scope of MSMEs. Additionally, the enhancement of credit guarantee cover and the introduction of customized credit cards for micro-enterprises are measures set to improve the flow of capital. These steps are expected to not only generate substantial employment opportunities for the youth but also serve as a catalyst for domestic manufacturing. Such efforts are instrumental in propelling India towards the broader vision of 'Atmanirbhar Bharat'.

In line with the 'Make in India' campaign, Budget 2025 has launched a comprehensive manufacturing mission. This mission focuses on simplifying the business environment, preparing a workforce that is ready for the future, revitalizing the MSME sector, and ensuring access to cutting-edge technology and high-quality products. These schemes are part of a larger economic strategy aimed at reducing unemployment and creating a skilled workforce capable of maintaining India's competitive edge in the global market. The ultimate objective is to establish India as a global manufacturing hub.

Furthermore, Budget 2025 has taken decisive steps to boost domestic consumption by reducing personal income-tax rates and rationalizing customs duties on various imports. These measures are expected to enhance the purchasing power of consumers and stimulate economic growth.

The Indian chemical industry, in the face of its current challenges, has been advocating for targeted policy measures to bolster its competitiveness. The introduction of PLI scheme and the development of PCPIRs, along with other sector-specific incentives, would have been a boon for the industry. Such initiatives would have incentivized domestic production, attracted significant investment, and fostered an ecosystem conducive to innovation, growth, and sustainability.

While the industry may have anticipated more direct support through these specific measures, the various announcements in Budget 2025 that aid the MSME and energy sectors, encourage research, development, and innovation, and focus on skilling a large workforce, are set to bolster domestic demand and exports and indirectly provide an uplift to the chemical industry.

Glossary

AIDC - Agriculture Infrastructure and Development Cess

BCD - Basic Customs Duty

GDP - Gross Domestic Product

MSME - Micro, Small and Medium Enterprise

PCPIRs - Petroleum, Chemicals, and Petrochemicals Investment Regions

PLI - Production linked incentive

PPP - Public Private Partnership

SWS - Social Welfare Surcharge



For details on other sectors and solutions visit our website [Union Budget 2025](#)

#EYonBudget2025

Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382355, Gujarat
Tel +91 79 6608 3800

Bengaluru

12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: +91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent
Park, Salt Lake Electronics Complex,
Bidhan Nagar
Kolkata - 700 091
Tel: +91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301Building
No.1, Mindspace-GigaplexIT Park,
MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West,
Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

Altimus, 18th Floor
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: +91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800

Ernst & Young LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122 003, Haryana, India.

© 2025 Ernst & Young LLP. Published in India.
All Rights Reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ey.com/en_in

