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Tax Alert - Key announcements
of Union Budget 2025



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Union BUDGET 2025-26

Power & Utilities Sector | Budget 2025- Investing in a Sustainable Future

India's energy leap toward electric vehicles, nuclear power, and green technologies demonstrates its commitment to a sustainable future.



Raju Kumar

Partner and Energy tax leader

The Union Budget 2025 represents a pivotal move towards advancing India's clean energy transition. Emphasizing domestic manufacturing, nuclear energy growth, and power sector reforms, it strengthens energy security and sustainability.

The National Manufacturing Mission for Clean Tech is crucial in reducing India's dependence on imports for solar PV cells, wind turbines, and battery storage, aligning with the country's goal of energy self-sufficiency. The reduction in customs duties on solar modules, lithium-ion battery waste, and critical minerals will boost local manufacturing and improve cost competitiveness.

The Nuclear Energy Mission, targeting 100 GW by 2047, is transformative, as nuclear power offers reliable clean energy. With an allocation of INR 20,000 crores for Small Modular Reactors (SMRs), this initiative promises to enhance energy security.

Power sector reforms linking state borrowing to GSDP will incentivize improvements in electricity distribution and intra-state transmission. Additionally, the budget's support for electric vehicles through duty exemptions and import duty reductions will accelerate the shift to sustainable mobility.

Investors and manufacturers should seize clean energy incentives, while policymakers must ensure long-term policy stability to attract sustained investments. With the right execution, these measures can accelerate India's journey to a cleaner, more resilient energy future.

#EYonBudget2025

How does the budget impact Power & Utilities sector?

Highlights

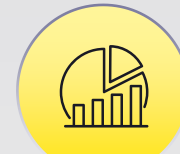
Corporate Tax:

- **New Income Tax Bill (Bill 2025)** to be placed in Parliament soon, which will be clear and direct in text (expected to be half of the present law).
- **Long-term capital gains (LTCG) tax rate for business trusts:** LTCG rate for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), has been rationalized to 12.5% (plus applicable surcharge and cess). This ensures that LTCG is not subject to taxation at the maximum marginal rate.
- **Loss carry forward in case of amalgamation:** Losses transitioned to a successor entity due to amalgamation or business reorganization will be available for carry forward and set-off for a maximum of eight years, starting from the assessment year in which the loss was originally computed for the predecessor entity.
- **Corporate mergers:** The procedure for approval of company mergers planned to be rationalized, aiming to expedite the process. Additionally, the scope of fast-track mergers to be expanded through a simplified framework to enhance efficiency.
- **Transfer Pricing (TP) assessments:** Taxpayers may opt for TP assessments or audits covering three Financial Years (FYs) upon a TP audit reference, subject to satisfaction of conditions.
- LTCG tax on transfer of certain securities by Foreign Institutional Investors (FIIs) **rationalised from 10% to 12.5%** (plus applicable surcharge and cess).

Procedural aspects:

- TDS rate rationalization:

Section	Current threshold (INR)	Proposed threshold (INR)
193-Interest on securities	NIL	10,000
194A- Interest other than securities	i. 50,000 for senior citizen ii. 40,000 in case of others when payer is bank, cooperative society and post office iii. 5000 in other cases	i. 1,00,000 for senior citizen ii. 50,000 in case of others when payer is bank, cooperative society and post office iii. 10,000 in other cases
194- Dividend for an individual shareholder	5000	10,000
194I- Rent	2,40,000 during the financial year	50,000 per month or part of the month
194J- Fee for professional and technical services	30,000	50,000
194LA- Income by way of enhanced compensation	2,50,000	5,00,000



12.5%

LTCG tax rate for business trusts and FIIs

New Income tax bill to be introduced

24 → 48

months

months

Time limit for updated return

Enable TP assessments/ audits in a block to cover a period of three FYs

- **Rationalisation of TDS and TCS provisions with effect from 1 April 2025:**
 - No requirement to collect TCS on LRS remittance by way of loan from financial institutions for education
 - No requirement to collect TCS on sale of goods
 - No requirement to deduct or collect tax at higher rate where deductee's have not filed tax returns
 - Delay in deposit of TCS collected till the date of filing TCS statement is de-criminalised
 - Threshold limit to collect TCS on remittances made under LRS is proposed to be increased from INR7,00,000 to INR10,00,000.
- **Time limit for updated return:** With effect from 1 April 2025, time limit for filing updated income tax returns is proposed to be amended from the current 24 months to 48 months after the end of the relevant assessment year.

Indirect Tax:

Customs:

S. No.	HSN	Description	Earlier BCD rate	Revised BCD rate
1	85414300 and 85414900	Solar module and other semiconductor devices and photo voltaic cells	40%	<ul style="list-style-type: none"> ▪ 20% BCD and 20% AIDC and NIL SWS (w.e.f 01.02.2025) ▪ 20% BCD (w.e.f 01.05.2025)
2	85414200	Solar cells	25%	<ul style="list-style-type: none"> ▪ 20% BCD and 7.5% AIDC and NIL SWS (w.e.f 01.02.2025) ▪ 20% BCD (w.e.f 01.05.2025)
3	85491300, 85491400, 85491900	Lithium-Ion Battery waste and scrap	5%	<ul style="list-style-type: none"> ▪ NIL(w.e.f 02.02.2025)
4	90283010	Electricity meter for alternating current (Smart meters)	25%	<ul style="list-style-type: none"> ▪ 20% (w.e.f 01.05.2025) ▪ 20% BCD and 7.5% AIDC and NIL SWS (w.e.f 01.02.2025)
5	84	Specified list of capital goods exempted from BCD for manufacture of Lithium Ion Battery of mobile phones and EVs	Tariff rate	<ul style="list-style-type: none"> ▪ NIL

Goods and Services Tax (GST):

- **Pre-deposit:** A pre-deposit of 10% of penalty amount is required for filing appeal before First Appellate Authority and GST Appellate Tribunal in case where the order involves only penalty.
- Supply of goods warehoused in SEZ or FTWZ to any person, before clearance for exports or to the DTA shall be treated neither supply of goods nor as supply of services retrospectively.

Key Policies

- **Clean Tech manufacturing:**
 - In order to accelerate clean tech manufacturing, focus will be to enhance domestic value addition and develop a robust ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, ultra-high voltage transmission equipment and grid-scale batteries.
- **Electricity:**
 - Incentivization of electricity distribution reforms and augmentation of intra-state transmission capacity by states to improve financial health and capacity of electricity companies.
 - Additional borrowing of 0.5% of Gross State Domestic Product (GSDP) for states, contingent on the proposed reforms will be allowed.
- **Nuclear energy:**
 - The government aims to develop at least 100GW of nuclear energy by 2047. Proposing amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act can enable private sector participation to achieve the proposed goal.
 - An allocation of INR 20,000 crores has been made for the Nuclear Energy Mission, to focus on research & development of Small Modular Reactors (SMRs), with plans to operationalize at least five indigenous SMRs by 2033.
- **Electric Vehicle (EV) industry:**
 - To support EV manufacturing, customs duty exemptions have been extended to 35 additional capital goods, along with lithium-ion battery scrap and waste.

Impact analysis

The Union Budget's policy and tax changes represent a transformative blueprint for India's Power & Utilities sector, reflecting a strategic pivot towards sustainable energy and advanced technology. The establishment of the National Manufacturing Mission for Clean Tech is set to bolster domestic production capabilities, reducing import reliance and fostering job creation in the renewable energy space. The ambitious Nuclear Energy Mission for Viksit Bharat, with its 100 GW target by 2047 and the private sector's involvement, signals a major shift towards nuclear energy, demanding significant investment and robust safety regulations.

The additional support for lithium-ion and advanced chemistry batteries is a timely boost for the burgeoning Electric Vehicle (EV) ecosystem, potentially lowering costs and spurring adoption. Power sector reforms incentivizing electricity distribution reforms and augmentation of intra-state transmission capacity by states could lead to reduced losses and better service quality, while the borrowing allowance for states contingent on state GSDP may drive critical investments in transmission infrastructure.

Tax changes, including customs duty reductions for solar modules, semiconductors, and critical minerals, alongside the removal of duty on lithium-ion battery waste, will likely reduce production costs and support a circular economy for battery materials. The tax measures impacting EVs, such as exemptions for additional capital goods and reduced import duties on vehicles and components, are poised to make EVs more affordable and stimulate demand.

These initiatives, harmonizing with the global momentum towards sustainability and India's climate pledges, present a robust platform for expansion for the Indian P&U sector.

Glossary

AIDC - Agriculture Infrastructure and Development Cess

BCD - Basic Custom Duty

DTA - Domestic Tariff Area

EV - Electric Vehicle

FTWZ - Free Trade Warehousing Zone

FY - Financial Year

FIIs - Foreign Institutional Investors

GSDP - Gross State Domestic Product

GST - Goods and Services Tax

GW - Giga Watts

HSN - Harmonized System of Nomenclature

InvITs - Infrastructure Investment Trusts

LRS - Liberalized Remittance Scheme

LTCG - Long Term Capital Gains

REITs - Real Estate Investment Trusts

SMRs - Small Modular Reactors

SEZ - Special Economic Zone

SWS - Social Welfare Surcharge

TCS - Tax Collected at Source

TDS - Tax Deducted at Source

TP - Transfer Pricing



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

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