



Union BUDGET 2025-26

Powering India's Tech Ascent

Key tax & policy amendments impacting Technology Sector



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India's journey into the digital age is a narrative of extraordinary growth and innovation. As a premier hub for technology services and emerging hub for electronics hardware manufacturing, India continues to play a vital role in the international arena. In this backdrop, the Union Budget 2025 offers a blueprint for the future, laying down a strategic roadmap that promises to amplify India's technological capabilities and foster an environment ripe for exponential growth in this sector.

The Union Budget 2025 introduces pivotal measures for this sector, including increased funding for the India AI mission, establishment of an AI Centre of Excellence for Education, and the creation of a Deep Tech Fund to spur start-up innovation. It also outlines a national framework to establish GCCs in tier 2 cities, leveraging India's extensive talent pool. Concurrently, the budget facelifts the indirect tax structure to support the 'Make in India' initiative, adjusting customs duties to incentivise economic value addition in the country.

This Union Budget and the upcoming Income Tax Bill is a strategic catalyst, set to elevate this sector into a new era of global leadership and innovation-driven growth.

How does the budget impact Technology sector?

Key amendments

Direct Tax

- **New income tax bill**
 - A new direct tax bill to be introduced aiming to make the law more concise, lucid, and clear.
 - This is expected to be announced next week.
- **Rationalization of TDS/ TCS**
 - Seller of goods was required to collect tax @ 0.1% of the sale consideration exceeding INR50 lakhs subject to certain conditions. This stands withdrawn from 1 April 2025.
 - The requirement for higher deduction/collection of tax from non-filers of income tax returns stands omitted from 1 April 2025.
 - Increase in TDS threshold limits primarily for rent, professional fee, commission, etc, with effect from 1 April 2025.
- **Rationalization of TP provisions**
 - Streamlined TP litigation by introducing a three-year block assessment, aligning with international standards. Taxpayers can opt to apply the same ALP for similar international transactions for three consecutive years.
 - Proposal to expand the scope of Safe Harbour Rules to reduce litigation and provide certainty in international taxation.
- **Presumptive taxation for NR ESDM service providers**
 - Introduction of presumptive taxation regime for NR's income from services and technology provision for electronics manufacturing and production in India under a notified scheme and subject to satisfaction of prescribed conditions.
 - A sum equal to 25% of the aggregate of the amounts shall be deemed to be the profits and gains of such NR from this business.
 - This is applicable from 1 April 2025.
 - Proposal to introduce a Safe Harbour for NR storing components for supply to specified electronics manufacturing units.

Highlights

New income-tax bill to be introduced next week



Rationalization
of TDS/ TCS provisions

Alignment of certain TP provisions with international standards

▪ Other key amendments

- Tax holiday to eligible start-ups incorporated before 1 April 2025 was granted. Such benefit is now extended to eligible start-ups incorporated before 1 April 2030.
- Losses from a predecessor entity, carried forward by a successor, shall be limited to its initial life of eight years computed for the predecessor, to prevent perpetual extension of carry forward of loss through multiple amalgamations. This will apply to reorganizations on or after 1 April 2025.
- Extended the time-limit to file the updated return from 2 years to 4 years from the end of relevant assessment year.
- Decriminalization of provisions in relation to delay in deposit of TCS up to the date of filing TCS return.
- Significant tax relief measures to ease taxation burdens for individuals and non-corporate taxpayers.

Indirect Tax

- **Electronics and IT Industry: Calibrating Duties to Champion Local Production**
 - **Graded duty structure** to incentivise manufacture of Interactive Flat Panel Displays.
 - BCD increased from 10% to 20% on interactive flat panel displays. Other finished goods under same chapter continue to attract 10%.
 - BCD on components like Open Cells, Touch Glass Sheets, and Touch Sensor PCBs reduced from previous 10%/ 15% to 5%.
 - BCD reduced from 2.5% to Nil on inputs and parts used in the manufacture of open cell of LCD/ LED television panels (to apply until 31 March 2027).
 - To promote **sustainable manufacturing of electronics**, BCD on import of waste and scrap of cobalt, lithium-ion batteries, zinc, lead, and other critical minerals reduced from 2.5%-10% to Nil.
 - To bolster **India's space program**, BCD exempted on:
 - Import of ground installations for satellites, payloads, and related spares and consumables.
 - Import of goods used in constructing launch vehicles and satellite deployment.

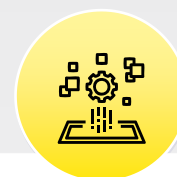
Highlights

Time-limit to file updated return extended

2 4

years

years



Graded Duty Structure to promote local manufacturing

Localisation for India's space program

▪ Other key amendments

- Definitive two-year period to finalise provisional assessment under Customs, with a one-year extension option, to minimize trade uncertainties.
- A new mechanism to be introduced allowing importers and exporters to voluntarily revise import and export documentation post clearance of goods within a prescribed time.
- Time-limit for usage of goods, imported at concessional rate with end-use condition, increased from 6 months to 1 year. Return filing period revised from monthly to quarterly.
- Reduction of outward liability by supplier on account of GST credit notes not permitted unless ITC is reversed by recipient or incidence of tax is passed on.
- Enabling provision for Invoice Management System mandating transaction level acceptance/ rejection of inward supplies, proposed from date to be notified.
- 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 with effect from 1 July 2017.

Key Policy announcements

- INR 2,000 crores earmarked for the India AI mission to strategically bolster artificial intelligence capabilities.
- INR 500 crores invested in a pioneering Centre of Excellence in AI for Education to revolutionize learning ecosystems.
- Launch of a deep tech fund to fuel cutting-edge innovation and fast-track technology frontiers.
- Initiating a national framework to promote Global Capability Centres in tier 2 cities to tap into local talent pool.
- Enhanced budget for DPBI sets the stage for a more efficient and responsive regulatory body to monitor compliance by companies under the DPDP.

Highlights



Extension of end-use time limit for concessional imports

6

months



1

year



**INR2000
crores**

**Allocated for India
AI Mission**



**National
framework for
setup of GCCs
in tier 2 cities**

Impact analysis

The Union Budget 2025 has outlined several measures that are likely to have a significant impact on the technology sector. These measures are aimed at positioning India as a global technology hub by way of tax reforms, policy support, incentivisation, and tariff calibration.

This Budget's focus on expanding talent availability and infrastructure in Tier-II cities will strengthen India's growing GCC ecosystem. This initiative should have tremendous potential for transforming India's attractiveness as a GCC hub.

Rate rationalisation in the customs duty structure reflects a clear commitment to nurturing electronics manufacturing and streamlining the trade dynamics.

The proposal to introduce a new tax bill for review and simplification of the existing tax law will be keenly awaited.

In conclusion, the Budget proposals reiterate the Government's commitment to simplifying tax regulations, enhancing the ease of doing business, fostering AI adoption, promoting electronics manufacturing, and expanding the GCC footprint to differentiate India's "technological prowess".

Glossary

AI - Artificial Intelligence

ALP - Arm's Length Price

BCD - Basic Custom Duty

CGST Act - Central Goods and Services Tax Act, 2017

DPBI - Data Protection Board of India

DPDP - Digital Personal Data Protection Act, 2023

DTA - Domestic Tariff Area

ESDM - Electronic System Design & Manufacturing

FTWZ - Free Trade Warehousing Zone

GCC - Global Capability Centre

GST - Goods and Services Tax

IGST - Integrated Goods and Services Tax

IT - Information Technology

ITC - Input Tax Credit

LCD - Liquid Crystal Display

LED - Light-emitting diode

NR - Non-resident

PCB - Printed Circuit Board

SEZ - Special Economic Zone

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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