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Union **BUDGET** 2025-26

#EYonBudget2025



EY

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Macro fiscal

- **Growth:** The Economic Survey 2024-25 projected a real GDP growth for FY26 between 6.3% to 6.8%.
- **Revenue highlights: FY26 (BE) over FY25 (RE)**
 - Gross Tax Revenue (GTR) growth budgeted at 10.8%.
 - Net tax receipts (net to centre) budgeted to grow at 11%.
 - Gross direct tax growth budgeted at 12.7%.
 - Gross indirect tax growth budgeted at 8.3%.
- **Expenditure priorities**
 - The Government of India's capital expenditure has been kept at INR11.2 lakh crore for FY26 (BE) or 3.1% of GDP for infrastructure investment.
 - Allocation of INR1.5 lakh crore for long-term interest-free loans for states.
 - Revenue expenditure growth is budgeted at 6.7% in FY26 (BE).
- **Continuing focus on fiscal consolidation**
 - Fiscal deficit for FY25 (RE) improved to 4.8% of the GDP as against 4.9% budgeted earlier.
 - Fiscal deficit for FY26 (BE) budgeted at 4.4% of the GDP.
 - The Budget seeks a healthy balance between fiscal consolidation and boosting consumption.



4.4% of GDP

Fiscal deficit target for FY26

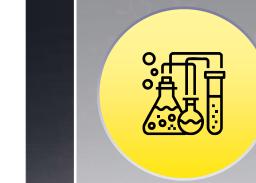
Capital expenditure increased by 10.1% in FY26 (BE) over FY25 (RE)

Policy

- **Agricultural District Programme:** Enhancing agricultural productivity and access to credit. A six-year mission will focus on achieving self-reliance in pulses will also be launched.
- **Support for MSMEs:** Enhancing investment and turnover limits by 2.5 times, improving credit guarantee cover.
- **Continuing focus on skilling:** A Centre of Excellence in AI for education will be set up with a total outlay of INR500 crore.
- **Focus on urban sectors:** Urban Challenge Fund of INR1 lakh crore to be set up to implement the proposals for 'Cities as Growth Hubs.'
- **Start-up, innovation and entrepreneurship:** INR20,000 crore allocated for private-sector driven research.
- **Domestic Manufacturing Mission:** The National Manufacturing Mission will be

established to incentivize large-scale electronics manufacturing and promote sustainable toy production.

- **Sustained energy transition efforts:** Nuclear Energy Mission for R&D of Small Modular Reactors (SMRs) with an outlay of INR20,000 crore to be set up. Support for clean tech manufacturing also to be provided.
- **Ease of doing business:** Committee for Regulatory Reforms to be set up for reviewing all non-financial sector regulations, certifications, licenses, and permissions.
- **Export Promotion Mission:** Easy access to export credit and cross-border factoring support to MSMEs to tackle non-tariff measures in overseas markets.
- **Regulatory reforms:** High-level committee to be set up for a review of all non-financial sector regulations.



Nuclear Energy Mission for Small Modular Reactors



National Manufacturing Mission to be established



Five National Centres of Excellence for skilling to be set up



Fund of Funds to support start-ups

Corporate Tax (1/3)

- A new Income Tax Bill (Bill 2025) would be placed in Parliament next week
 - It is clear and direct in text, with close to half of the present law
 - It is also simple to understand, leading to tax certainty and reduced litigation
- The time limit to file an updated tax return is extended to five years (as compared to three years) from the end of the financial year, effective April 1, 2025
 - An additional 60% tax is payable if filed after three years but within four years from the end of the financial year
 - An additional 70% tax payable if filed after four years but within five years from the end of the financial year
- Disallow filing updated tax return if reassessment notice is issued after four years from the end of the financial year, unless such reassessment is dropped
- Effective FY 2025-26, non-residents providing services or technology for notified electronics manufacturing in India will be taxed on presumptive tax rate of 25% of gross receipts, at an effective rate below 10%
- Non-residents' purchases in India for export do not create a significant economic presence w.e.f. financial year 2025-26
- Extend tonnage tax scheme to inland vessels registered under Indian Vessels Act, 2021 to promote inland water transport - w.e.f. financial year 2025-26
- Extend last date for incorporation of eligible start-ups for tax holiday of three years out of first 10 years from 31 March 2025 to 31 March 2030
- Extend last date for investment by Sovereign Wealth Funds and Pension Funds for exemption from 31 March 2025 to 31 March 2030

Corporate Tax (2/3)

	Existing	Proposed
Rates w.e.f. 1 April 2025:		
TDS on payment of income by securitization trust to resident individual and HUFs investors	25% for individual investors, and 30% for HUF investors	10%
Annual thresholds w.e.f. 1 April 2025 for resident payee:		
TDS on interest on securities	Nil	INR 0.1 lakh
TDS on interest other than on securities	<ul style="list-style-type: none"> ▪ INR 0.5 lakh for senior citizen ▪ INR 0.4 lakh in other cases when payer is bank, cooperative society and post office ▪ INR 0.05 lakh in other cases 	<ul style="list-style-type: none"> ▪ INR 1 lakh for senior citizen ▪ INR 0.5 lakh in other cases when payer is bank, cooperative society and post office ▪ INR 0.1 lakh in other cases
TDS on dividend to individual shareholders	<ul style="list-style-type: none"> ▪ INR 0.05 lakh 	<ul style="list-style-type: none"> ▪ INR 0.10 lakh
TDS on income from mutual fund units	<ul style="list-style-type: none"> ▪ INR 0.05 lakh 	<ul style="list-style-type: none"> ▪ INR 0.10 lakh
TDS on insurance commission, or lottery commission or any other commission or brokerage	<ul style="list-style-type: none"> ▪ INR 0.15 lakh 	<ul style="list-style-type: none"> ▪ INR 0.20 lakh
TDS on professional or technical services or royalty or non-compete fees	<ul style="list-style-type: none"> ▪ INR 0.3 lakh 	<ul style="list-style-type: none"> ▪ INR 0.50 lakh
TDS on compensation for compulsory acquisition of immovable property	<ul style="list-style-type: none"> ▪ INR 2.5 lakh 	<ul style="list-style-type: none"> ▪ INR 5 lakh
Other thresholds w.e.f. 1 April 2025:		
TDS on rent	<ul style="list-style-type: none"> ▪ INR 2.4 lakh 	<ul style="list-style-type: none"> ▪ INR 0.50 lakh per month or part of the month
TDS on winnings from lottery or crossword puzzle or any other game and horse race	<ul style="list-style-type: none"> ▪ Aggregate of amounts exceeding INR 0.1 lakh in a financial year 	<ul style="list-style-type: none"> ▪ INR 0.1 lakh per transaction
TCS for LRS remittance and overseas tour program package	<ul style="list-style-type: none"> ▪ INR 7 lakh per financial year 	<ul style="list-style-type: none"> ▪ INR 10 lakh per financial year

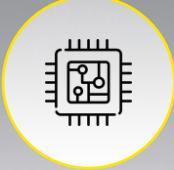
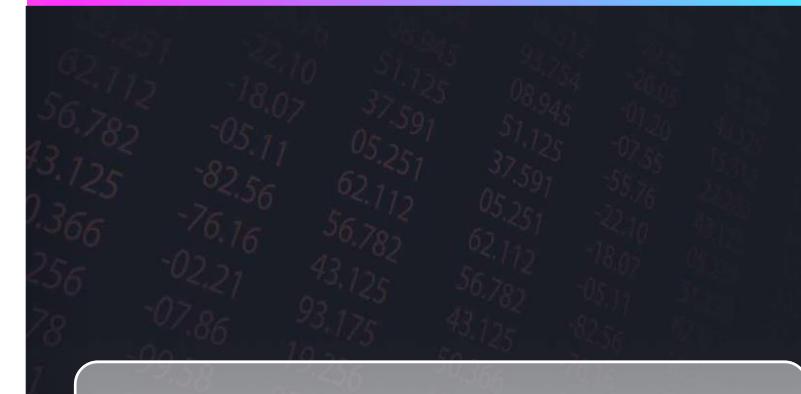
Corporate Tax (3/3)

- Rationalization of TDS and TCS provisions w.e.f. 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 deductees' have not filed tax returns
 - Delay in deposit of TCS collected till the date of filing TCS statement is de-criminalized
- Extend validity of registration for small charitable trust from existing five years to 10 years w.e.f. 1 April 2025
- Person making contribution of more than INR1 lakh during financial year or aggregate of INR10 lakh up to the end of the financial year (i.e. Substantial Contributor) shall be considered as related party of charitable trust - w.e.f. 1 April 2025
 - Further, relative and concern of such Substantial Contributor are not to be treated as related party
- Effective 1 April 2026, a new annual reporting requirement for crypto assets will be implemented, with specific rules to define the reporting entities, information scope, reporting method and due diligence procedures
 - From FY 2025-26, the definition of virtual digital asset will broaden to encompass any crypto asset that uses cryptographic, distributed ledger technology for transaction validation and security

International Tax

- Presumptive taxation for setting up an electronics manufacturing facility
 - Proposal to introduce new presumptive taxation for non-resident providing services/ technology for setting up an electronics manufacturing facility.
 - The proposal deems 25% of the total amount a non-resident receives or is due to receive for providing services or technology as profits or gains.
 - The proposal will result in an effective tax payable of less than 10% tax on gross receipts by non-resident.
 - This amendment will be effective from 1 April 2026 (financial year 2025-26).
- No specific proposal on Pillar Two/ Global Minimum Tax implementation in India.

- Significant economic presence (SEP) provision harmonized in line with business connection provisions
 - SEP will not apply to non-residents involved in the purchase of goods in India for export.
 - This amendment will be effective from 1 April 2026 (financial year 2025-26).



Semiconductor -
presumptive taxation
25% deemed income

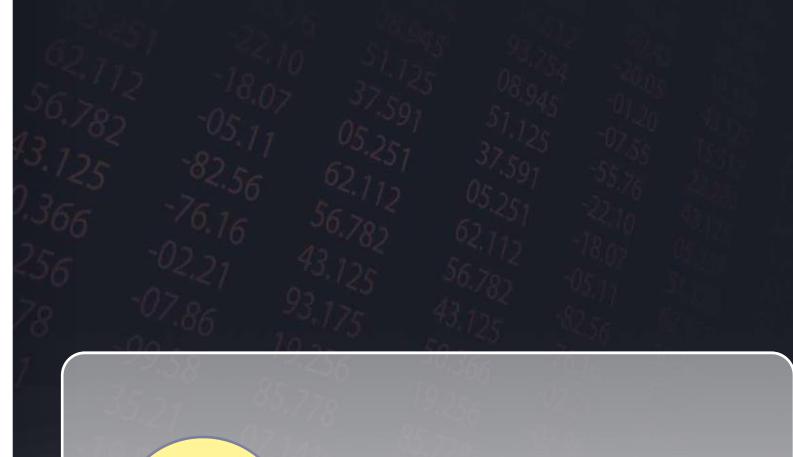
**Effective tax rate
< 10%**



**SEP to exclude
purchase for
exports**

Transaction Tax

- Procedure for speedy approval of company mergers will be rationalized. Also, scope for fast-track mergers to be widened with simplified process
- Loss transitioned to successor entity pursuant to amalgamation or business re-organizations shall be available for carry forward and set-off for not more than eight years immediately succeeding the assessment year for which such loss was first computed for predecessor entity
- Long-term capital gains (LTCG) tax for business trusts (Real Estate Investment Trust, Infrastructure Investment Trust) rationalized to 12.5% (plus applicable surcharge and cess), not subject to tax at maximum marginal rate
- LTCG tax on transfer of certain securities by Foreign Institutional Investors (FIIs) rationalized from 10% to 12.5% (plus applicable surcharge and cess)
- Securities held by Category-I and Category-II Alternative Investment Fund shall be treated as 'capital asset' only and income arising therefrom to be in the nature of capital gains



**Merger process
to be simplified**



**LTCG tax rationalized
for business trusts and
FIIs: 12.5%**

Transfer Pricing

■ Introduction of "assessments in a block" for Transfer Pricing (TP)

- Currently, the TP audits are undertaken for each financial year (FY) on a standalone basis.
- Proposal to enable TP assessments or audits in a block to cover a period of three FYs.
- Amendment proposed to conform to international standards on TP audits, and reduce compliance burden on taxpayers and administration burden on TPOs where transactions are same or similar.
- Elective option provided to taxpayers upon reference made for a transfer pricing audit for an FY.
 - Option is not available for cases involving search and seizures.
- Option to be exercised by taxpayers within such time frame and in such form as may be prescribed.
- The Transfer Pricing Officer (TPO) must verify and declare if the taxpayer's option is valid based on certain conditions.

- If the TPO declares the option exercised as valid, the arm's length price (ALP) determined for a financial year will also apply to the two consecutive FYs for similar transactions.

- The assessing officer (AO) will recompute the total income of the three FYs in conformity with the ALP determined by the TPO and the Dispute Resolution Panel.

- This adjustment will be done within three months after the month when the assessment or audit is completed.

- The Central Board of Direct Taxes (CBDT) can issue guidelines to clarify any issues, which must be approved by Parliament and will be binding on both taxpayers and tax authorities.

- This amendment will be effective from 1 April 2026 (financial year 2025-26).

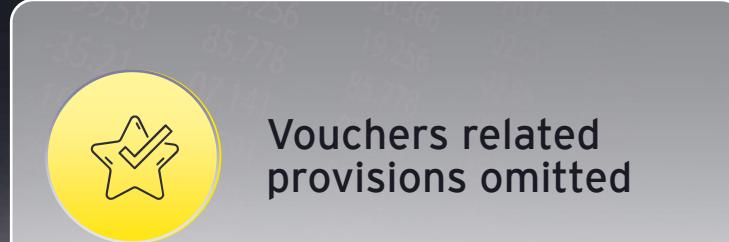
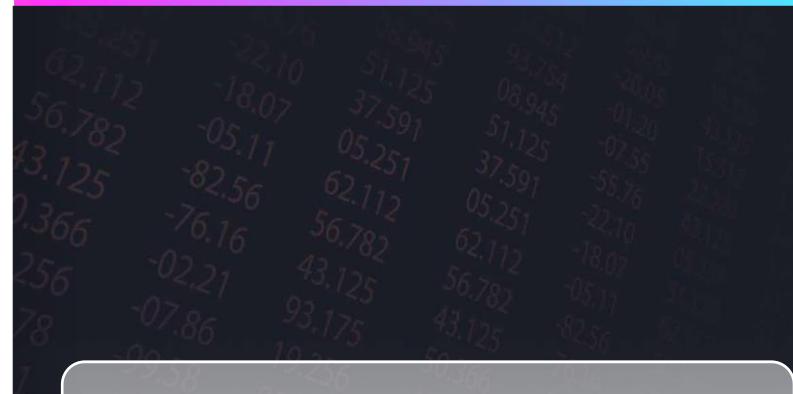
■ Expansion of Safe Harbour Rules

- Stated intent in the Budget Speech by the Finance Minister to expand Safe Harbour Rules to reduce litigation and provide certainty.



Goods and Services Tax

- The phrase "plant or machinery" has been replaced with "plant and machinery" retrospectively in Section 17(5)(d) of the CGST Act 2017
- 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
- Provisions relating to time of supply for vouchers to be omitted to emphasis on non levy of GST on vouchers
- Reduction in liability on credit note not permitted if ITC availed has not been reversed by the recipient or tax incidence has been passed on to any other person
- 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



Vouchers related provisions omitted

Amendment in Section 17(5)(d) to overrule SC Safari retreat judgment

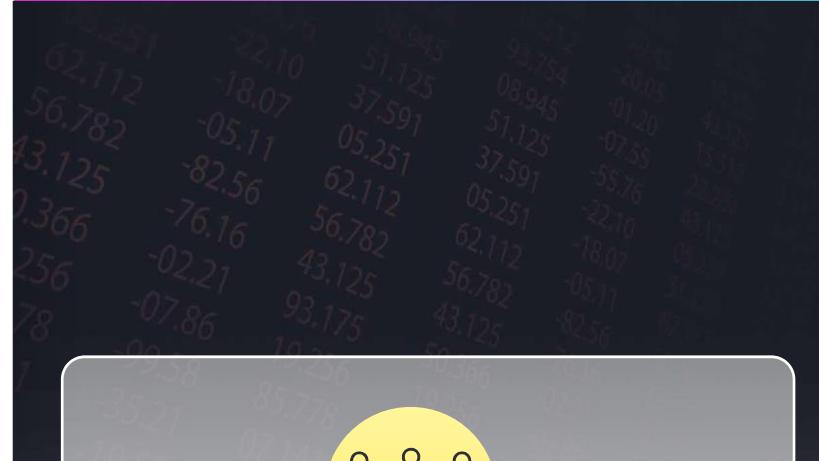


10% pre-deposit on order involves only penalty

Supply of goods in FTWZ
No GST

Customs

- Customs duty rates are rationalized to support domestic manufacturing and value addition, promote exports and facilitate trade
- An interim board will be set up to carry out functions related to settlements of cases
- Definitive timelines have been provided for finalization of provisional assessment
- A new mechanism to be introduced for revision of entry post clearance of goods allowing importers and exporters to voluntarily revise any entry within a prescribed time



Set up of interim board

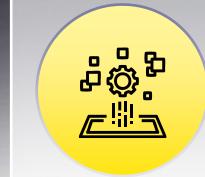


Time line for provisional assessment prescribed

Personal Tax (1/2)

- New Income Tax Bill to be introduced, which will focus on simplicity and ease of understanding for both taxpayers and tax administrators.
- Under the New Tax Regime (NTR), incomes up to INR12 lakh are not subject to income tax.
- NTR now provides a change in the tax structure with reduced slabs as under:
 - Up to INR4 lakh – Nil
 - INR4 lakh to INR8 lakh – 5%
 - INR8 lakh to INR12 lakh – 10%
 - INR12 lakh to INR16 lakh – 15%
 - INR16 lakh to INR20 lakh – 20%
 - INR20 lakh to INR24 lakh – 25%
 - Above INR24 lakh – 30%
- Under the NTR, individuals will have tax savings as follows:

- Income of INR12 lakh to INR80,000
- Income of INR18 lakh to INR70,000
- Income of INR25 lakh to INR1,10,000
- Increase in annual threshold limits of TDS for better clarity and uniformity:
 - Rental income of individuals – INR2,40,000 to INR6,00,000 (INR50,000 per month or part of the month)
 - Dividend for individual shareholders – INR5,000 to INR10,000
 - Interest on securities – Nil to INR10,000
 - Interest other than interest on securities for individuals – INR40,000 to INR50,000 (For senior citizens - INR50,000 to INR100,000)



New Income Tax Bill to be introduced

No income tax under NTR
Up to INR12 lakh

Personal Tax (2/2)

- Increase in threshold for TCS on remittances under Liberalised Remittance Scheme (LRS) from INR7 lakh to INR10 lakh.
- The time limit to file updated return is extended from two years to four years from the end of the relevant assessment year.
- No TCS on remittances for education purposes where such remittance is funded through a loan taken from a specified financial institution.
- Removal of higher TDS/TCS for non filers of return of income to reduce compliance burden on taxpayers.
- NPS Vatsalya accounts to get the same tax treatment as normal NPS accounts.
- Annual value of self occupied properties (up to two properties) shall be taken as Nil if the owner occupies it for own residence or cannot occupy it for any reason.



Timeline to file updated returns extended

2 years  4 years

NPS Vatsalya to receive the same tax treatment as normal NPS

Annual value of self-occupied house to be taken as NIL

1 house  2 house

Budget 2025

Sectors-wise data



Agriculture



Automobile



Chemicals



Consumer Products & Retail



Defence



Financial Services



Infrastructure



Pharmaceutical



Media & Entertainment



Oil & Gas



Real estate



Start-up



Technology



Telecom



Power & Utilities

Agriculture (1/4)

Infrastructure

- Prime Minister Dhan-Dhaanya Krishi Yojana
 - Agri Districts Programme will be developed to cover 100 districts with low productivity, moderate crop intensity and below-average credit parameter which is likely to help 1.7 crore farmers
- Urea plant in Assam
 - Plant with annual capacity of 12.7 lakh metric tons will be set up at Namrup, Assam
- National Geospatial Mission
 - National Geospatial Mission to launch for geospatial infrastructure and data, aiding land records, urban planning and infrastructure design

- Western Koshi Canal Project in Mithilanchal
 - Financial aid for Western Koshi Canal ERM Project to benefit farmers across 50,000 hectares in Bihar's Mithilanchal region
- Warehousing facility for air cargo
 - Upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce

Atmanirbharta

- Aatmanirbharta in Pulses
 - Six-year "Mission for Aatmanirbharta in Pulses" will be launched with a special focus on Tur, Urad and Masoor
- Mission for Cotton Productivity
 - Five-year mission to facilitate improvements in productivity and sustainability of cotton farming



Agriculture (2/4)

- National Mission on High Yielding Seeds
 - Targeted development and propagation of seeds with high yield, pest resistance and climate resilience

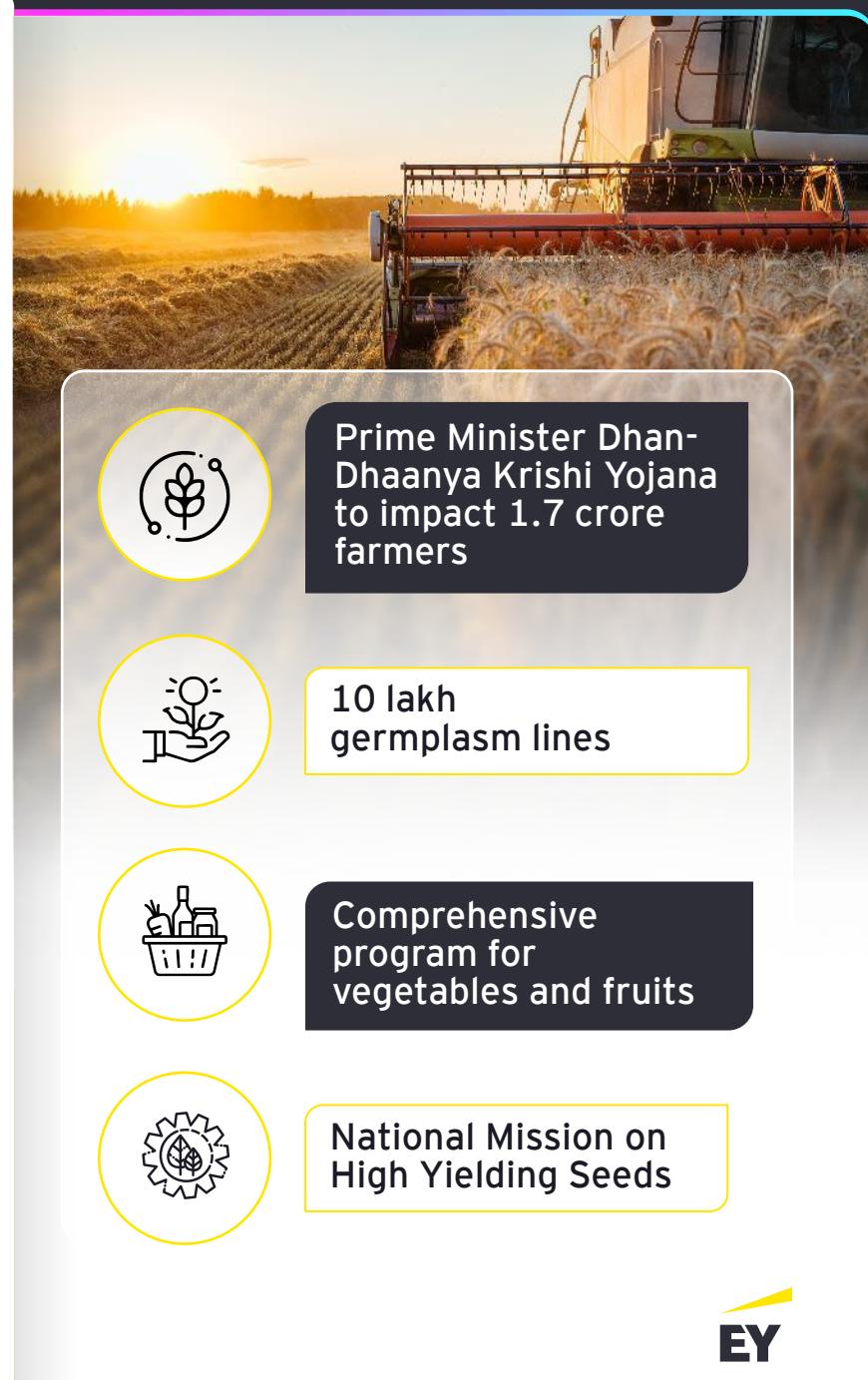
Food processing and productivity

- Support for food processing
 - Establishment of National Institute of Food Technology, Entrepreneurship and Management in Bihar
- Makhana Board in Bihar
 - Board will be set up to improve production, processing, value addition, and marketing and organization of FPOs
- Comprehensive program for vegetables and fruits
 - Initiative launching to boost production, supply efficiency, processing, and ensure fair prices for farmers

- Fisheries
 - Framework development underway for sustainable fisheries in Indian EEZ and High Seas, focusing on Andaman & Nicobar and Lakshadweep Islands

Technology, innovation and skilling

- Building rural prosperity and resilience
 - Program to launch targeting under-employment in agriculture via skilling, investment, technology and rural economic stimulation
- Gene bank for crop germplasm
 - Second gene bank with 10 lakh germplasm lines will be set up for future food and nutritional security



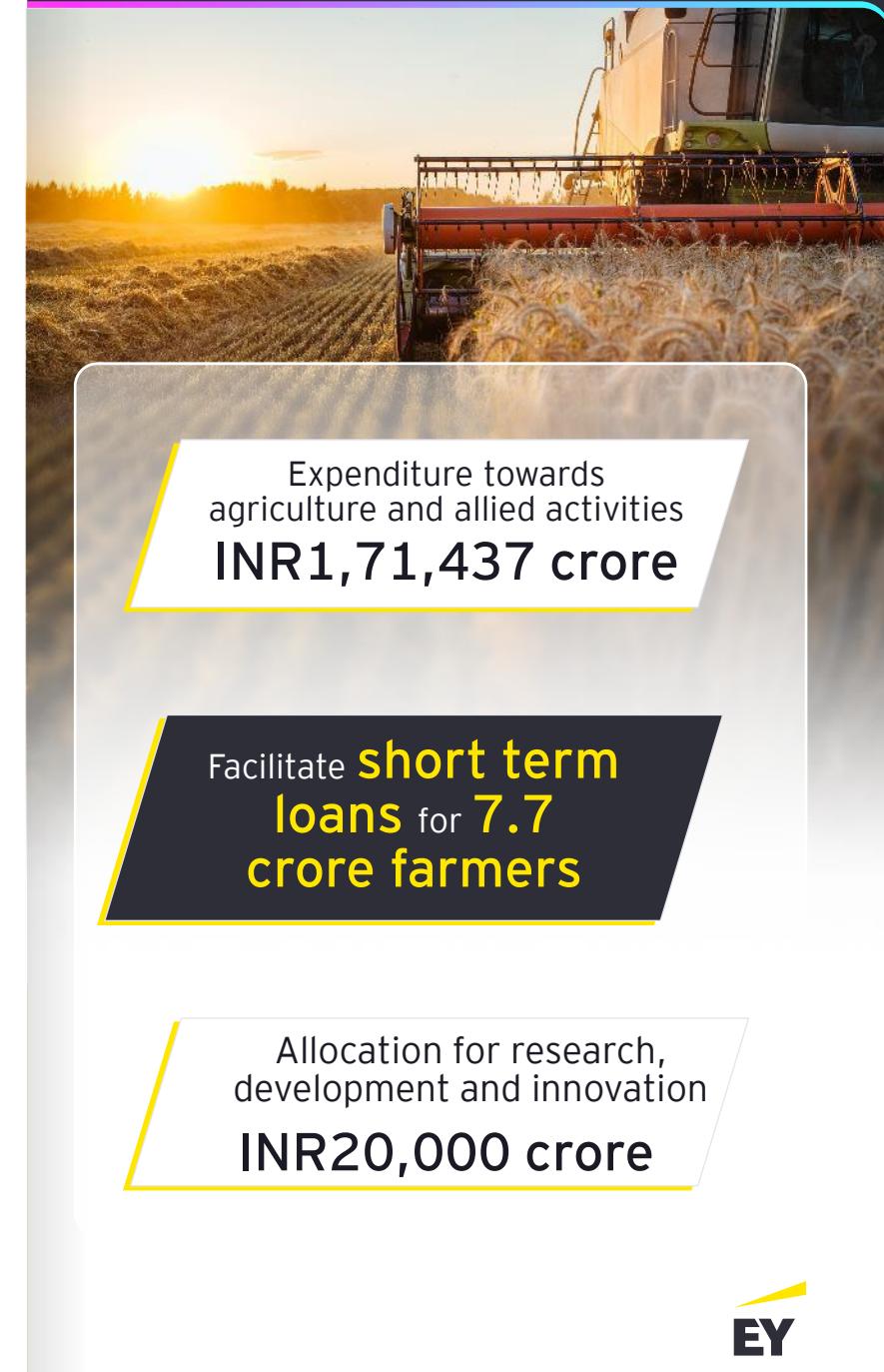
Agriculture (3/4)

- Research, development and innovation
 - To implement private sector driven research, development and innovation allocation of INR20,000 crore

Financial inclusion and investment

- Enhanced credit through KCC
 - Facilitate short term loans for 7.7 crore farmers, fishermen and dairy farmers with enhanced loan of INR5 lakh
- India Post as a catalyst for the rural economy
 - India Post along with India Post Payment Bank, will be repositioned to act as a catalyst for the rural economy
 - India Post to transform into a major public logistics entity serving Viswakarmas, entrepreneurs, women, SHGs, MSMEs and large businesses

- Revision in classification criteria for MSMEs
 - Investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively
- Grameen Credit Score
 - Public Sector Banks to develop 'Grameen Credit Score' framework to serve the credit needs of Self Help Group members and people in rural areas
- Export Promotion Mission
 - Export Promotion Mission to be established with sectoral and ministerial goals, enhancing export credit, cross-border factoring, and MSME support against non-tariff barriers abroad



Agriculture (4/4)

- Deep Tech Fund of funds
 - Will be explored to catalyze the next generation startups as a part of this initiative
- Asset Monetization Plan 2025-30
 - Will be launched with a target of INR10 lakh crore
- Key Direct Tax proposals
 - No specific corporate tax changes for the Agriculture sector
- New income-tax bill to be released
 - Start-up incorporation sunset date extended by five years to 31 March 2030 for 100% profit deduction for three years within a 10-year period
- Key Indirect Tax proposals
 - Existing exemption has been extended on certain products related to
 - Naphtha, for use in the manufacture of fertilisers
 - Fish meal for use in manufacture of aquatic feed till 31 March 2027
 - Exemptions for planting materials, algal oil for aquatic feed, and List 1 goods in seafood processing until 31 March 2026



Automobile (1/4)

- In case of amalgamation or reorganization, the loss carry-forward is limited to eight years from the loss' initial year.
- Increased TDS thresholds and the removal of higher rates for non-filers to simplify tax compliance.
- New presumptive tax regime proposed for non-residents in electronics manufacturing to boost investment in India's automotive electronics sector.
- Proposed personal income tax cuts for FY 2025-26 to enhance middle-class disposable income and stimulate demand in the automotive market.
- Summarized key duty rate changes in subsequent paragraphs:
- Decrease in tariff rate with no change in effective rate (with effect from 2 February 2025)

S. No.	Commodity	Rate of duties	
		From (%)	To (%)
1.	Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars, under tariff heading 8703 >US\$ 40000	125 (tariff rate) 100 BCD + 10 SWS	70 (tariff rate) 70+ 40 AIDC
2.	Used motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars, under tariff heading 8703	125 (tariff) 125 BCD + 12.5 SWS	70 (tariff) 70+ 67.5 AIDC
3.	Used motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side cars under tariff heading 8711	100 (tariff) 100 BCD +10 SWS	70 (tariff) 70+ 40 AIDC
4.	Bicycles under tariff item 8712 00 10	35	20 (+15 AIDC)
5.	Other motor vehicles (for goods/passengers) covered under tariff heading 8704/8702 imported as CKD kits, where engine or gearbox or transmission mechanism in pre-assembled form but not mounted on chassis or body assembly	25	20 (+5 AIDC)



Increased thresholds for TDS
Removal of higher TDS only for non-filers of ITR

Automobile (2/4)

- Decrease in effective rate (with effect from 2 February 2025)

S. No.	Commodity	Rate of duties	
		From (%)	To (%)
1	Other motor vehicles (for goods/passengers) covered under tariff heading 8704/8702	40 (+4 SWS)	20 (+20 AIDC)
2	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor (excluding electrically operated motor cycles and cycles), with or without sidecars, and sidecars, new, which have not been registered anywhere prior to importation and with engine capacity of 1600 cc and above: (1) as a completely knocked down kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with- (a) engine, gearbox and transmission mechanism not in a pre-assembled condition; (b) engine or gearbox or transmission mechanism in pre-assembled form, not mounted on a body assembly; (2) in a form other than (A)(1) above	15+ 1.5 (SWS) 25 +2.5 (SWS) 50+ 5 (SWS)	10+ 1 (SWS) 20 +2 (SWS) 40+ 4 (SWS)



Decrease in effective BCD rates on certain items

Automobile (3/4)

- Decrease in effective rate (with effect from 2 February 2025)

S. No.	Commodity	Rate of duties	
		From (%)	To (%)
1.	B) Motorcycles (including mopeds) and cycles fitted with an auxiliary motor (excluding electrically operated motorcycles and cycles), with or without sidecars, and sidecars, new, which have not been registered anywhere prior to importation and with engine capacity of 1600 cc and above:		
	(1) as a completely knocked down kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with:	15+ 1.5 (SWS)	10+ 1 (SWS)
	(a) engine, gearbox and transmission mechanism not in a pre-assembled condition;	25 + 2.5 (SWS)	20 +2 (SWS)
	(b) engine or gearbox or transmission mechanism in pre-assembled form, not mounted on a body assembly;	50+ 5 (SWS)	30+ 3 (SWS)
	(2) in a form other than (B)(1) above		



Decrease in effective BCD rates on certain items

Automobile (4/4)

- Reduction in customs duty to reduce input costs, deepen value addition, promote export competitiveness, correct inverted duty structure, boost domestic manufacturing etc (with effect from 2 February 2025)

S. No.	Commodity	Rate of duties	
		From (%)	To (%)
1.	Waste and scrap of Antimony, Beryllium, Bismuth, Cobalt, Cadmium, Molybdenum, Rhenium, Tantalum, Tin, Tungsten, Zirconium, Copper scrap covered under tariff items 74040012, 74040019 and 74040022	10/5/2.5	Nil
2.	Waste and scrap of lithium-ion battery, cobalt powder, waste and scrap of lead, waste and scrap zinc	5	Nil
3.	Addition of 35 capital goods/machinery for use in the manufacture of lithium-ion battery of EVs and 28 capital goods/machinery for use in the manufacture of lithium-ion battery of mobile phones	7.5% to 15%	Nil



Boost to semiconductor and electronics manufacturing industry

Chemicals (1/3)

In the pursuit of Viksit Bharat, the following announcements were made to invigorate MSMEs and bolster manufacturing and exports providing an impetus to the Chemicals industry:

Boost to manufacturing

- Setting up of an additional urea plant with annual capacity of 12.7 lakh metric tons at Namrup, Assam will cause positive impact for the *Fertilizers* sector
- Setting up National Manufacturing Mission for furthering 'Make in India' which will also support Clean Tech manufacturing will cause positive impact for the *Chemicals* sector
- Implementation of scheme under National Action Plan for toys that will represent 'Make in India' brand will cause positive impact for the *Specialty chemicals* sector
- Three year pipeline of infrastructure projects under PPP mode will be

announced causing positive impact for the *Construction chemicals* sector

- Plan to develop at least 100GW of nuclear energy by 2047 with active partnership with private sector will cause positive impact for the *Specialty chemicals* sector

Impetus to MSMEs

- To support MSMEs, several financial policies have been 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
 - Customized credit cards with INR5 lakh limit for micro enterprises



Chemicals (2/3)

Focus on Ease of doing business and Skilling

- Scope for fast-tracker 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 Tier 2 cities

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

Key Direct Tax related proposals

- New finance bill will be announced
- No specific announcements for chemical sector



Chemicals (3/3)

Key Indirect Tax related proposals

- Reduction in Basic Customs Duty (BCD) From 10% to 7.5% on Aminophylline (cordophylin), Trimethoprim, Diethyl carbamazine citrate, 1-Amino-4-Methyl piperazine, Other -Compounds containing an unfused triazine ring (whether or not hydrogenated) in the structure - *effective from 2 February 2025*
- 10% concessional benefit available on import of Phosphoric Acid from the United States of America is withdrawn - *effective from 2 February 2025*

- Laboratory chemicals: Rationalization in overall custom duty
 - Reduction in BCD from 150% to 70%
 - Revision in Agriculture Infrastructure and Development Cess (AIDC) from Nil to 70%
 - Exemption from Social Welfare Surcharge (SWS)
- Critical minerals: BCD exemption effective from 1 May 2025
 - For cobalt powder and waste, the scrap of lithium-ion battery, lead, zinc and twelve critical minerals



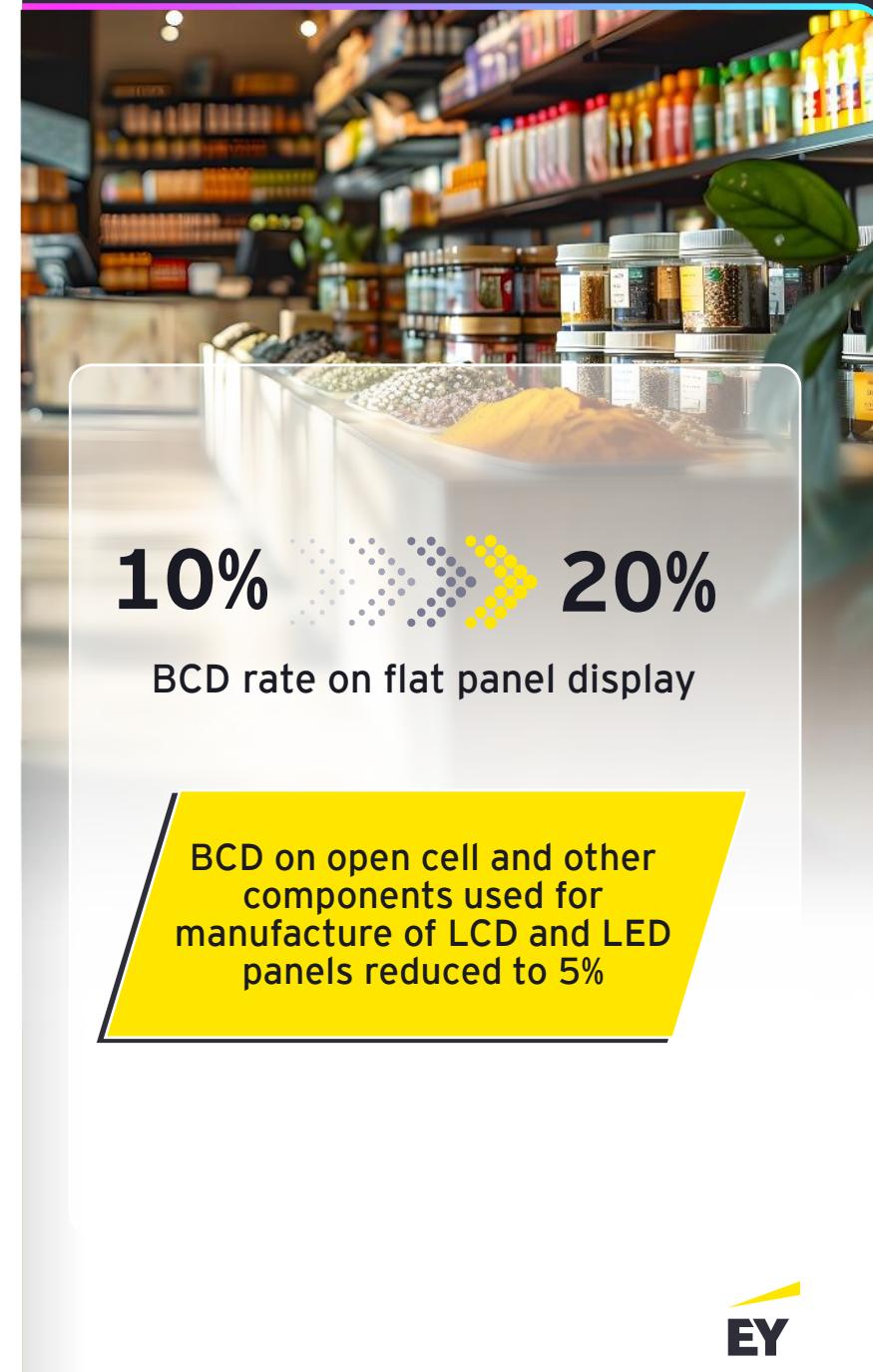
Consumer Products & Retail (1/2)

- Launch a six- year mission to enhance pulses through climate-resilient seeds, increased protein, improved productivity, and better post-harvest practices while ensuring fair prices for farmers.
- Makhana Board to be established in Bihar to improve production, processing, value addition and marketing of Makhana.
- Focus product scheme to be implemented for footwear and leather sectors to facilitate employment for 22 lakh individuals, generate a turnover of INR4 lakh crore and exports of over INR1.1 lakh crore.
- Scheme to make India a global hub for toys to be implemented, focusing on development of clusters, skills, and a manufacturing ecosystem to create high-quality, unique, innovative, and sustainable toys.
- Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode.
- Five National Centres of Excellence (CoEs) for skilling to be set up with global expertise and partnerships to equip our youth with the skills required for “Make for India, Make for the World” manufacturing.
- Setting up a National Institute of Food Technology in Bihar, boosting farmer income, and providing skill development, entrepreneurship and employment for youth.
- TCS on sale of goods abolished effective 1 April 2025 and TDS rates rationalized for multiple sections.



Consumer Products & Retail (2/2)

- Customs duty on LCD/LED components reduced to 5% to support 'Make in India'; duty on Flat Panel Displays increased to 20% (from 10%) to correct inverted duty.
- A two-year time limit, extendable by one year, has been introduced for finalizing provisional assessments of bills of entry, reducing uncertainty and costs.
- Basic Customs duty is exempted on 35 capital goods for EV battery manufacturing and 28 capital goods for mobile phone battery production to stimulate sector growth.
- A new provision allows importers and exporters to voluntarily declare material facts, pay tax and interest without penalty after goods clearance, incentivizing voluntary compliance.
- To boost the production of agro textiles, medical textiles and geo textiles, basic Customs duty exemption extended to two types of shuttleless looms.



Defence

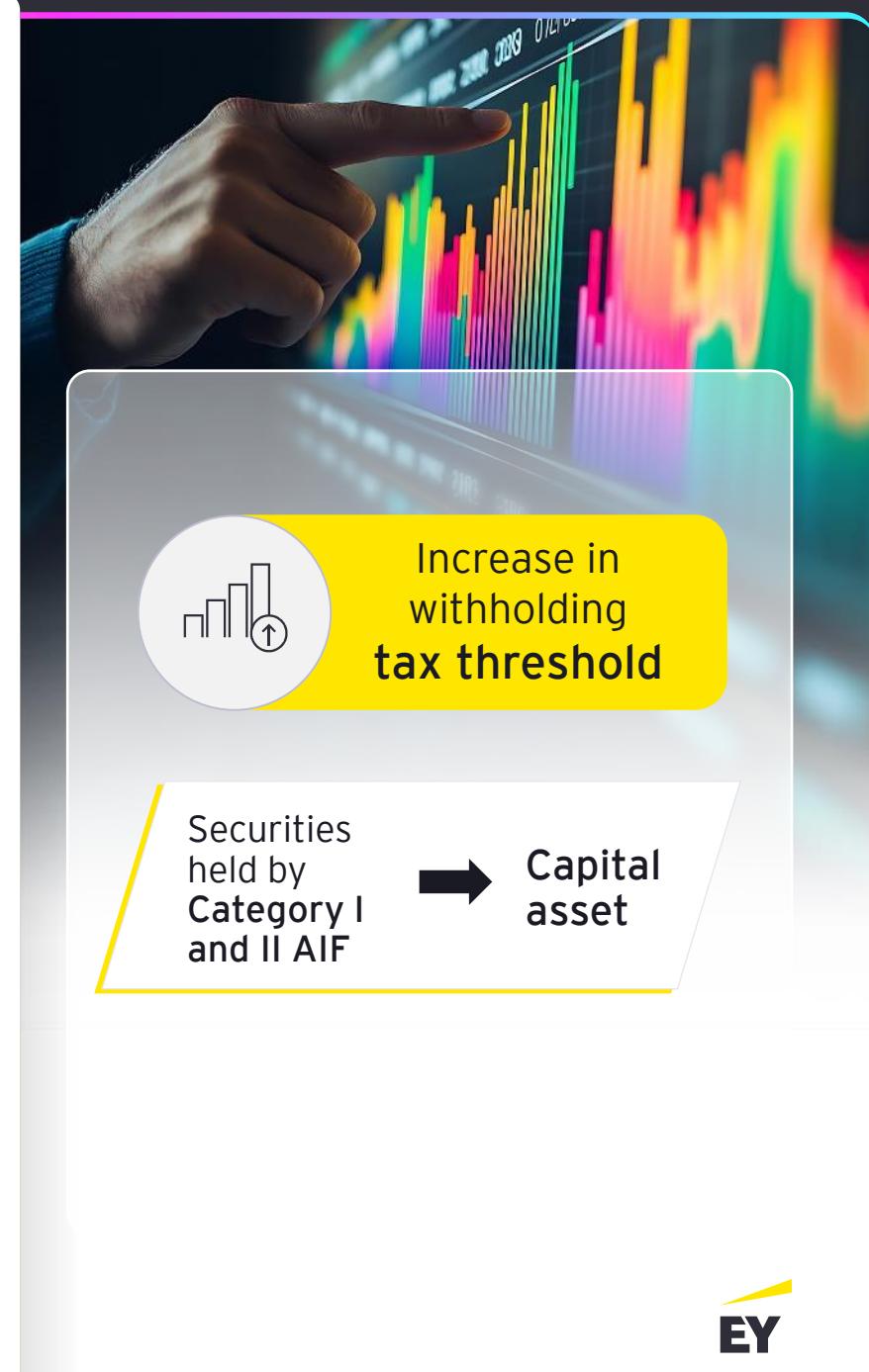
- Budget allocation for the Ministry of Defence is INR6,81,210 crore, marking a 9.5% increase over financial year (FY) 2024-25 Budget Estimate (BE).
- Allocation of INR1,80,000 crore for capital outlay, which is an increase of 4.65% over FY 2024-25 (BE).
- Revenue expenditure allocation increased to INR3,11,732 crore, which is a 10.24% increase over FY 2024-25 (BE).
- Increase of ~21% for aircraft and aeroengines indicate acquisition of Light Combat Helicopter and the next batch of LCA Tejas (Light Combat Aircraft) in the upcoming FY.
- Total modernization budget, i.e. capital outlay plus stores, repairs, refits and works of revenue expenditure is INR2,66,168 crore.
- Extension of sunset date of commencement of operations to 31 March 2030 for several tax exemptions available to IFSC units engaged in leasing of aircraft or ships, which were expiring on 31 March 2025 and 31 March 2026.
- Incentives on capital gains and dividend exemptions available to aircraft leasing are extended to ship leasing units in IFSC.



Financial Services (1/2)

Tax proposals

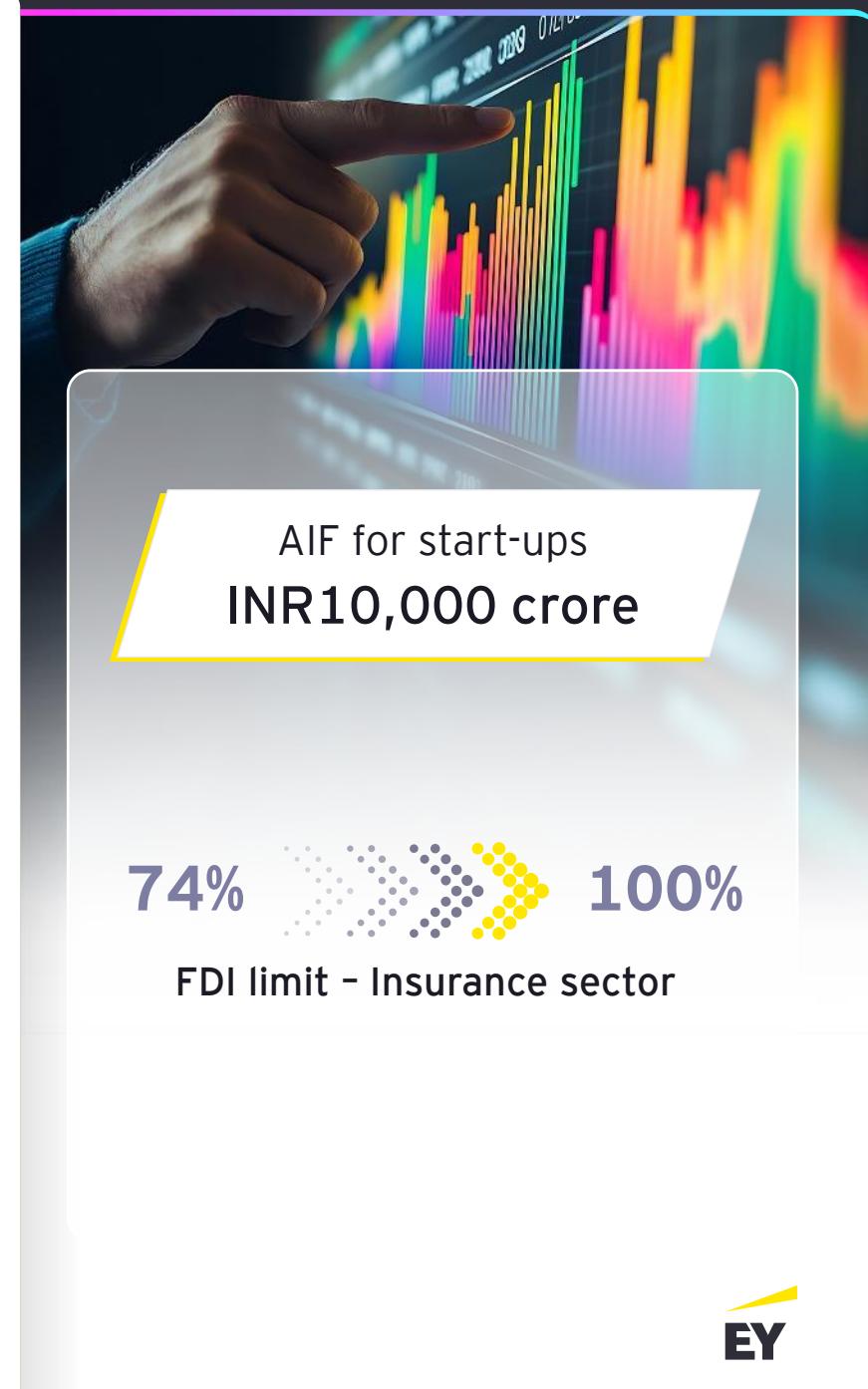
- ULIP taxation is simplified and rationalized. ULIPs are not eligible for exemption to be treated as capital asset and gains on the same to be taxed as capital gains.
- Security held by Category I and II AIF will be deemed as capital asset and gains on the same to be taxed as capital gains.
- Anomaly in tax rate for long-term capital gains on securities other than listed equity shares, equity-oriented mutual fund and units of business trust rationalized and will be taxed at 12.5% for specified funds and foreign institutional investors.
- Anomaly in taxation of long-term capital gains on listed equity shares for business trust rationalized and will be taxed at 12.5%.
- Investment deadline for tax exemption by sovereign wealth and pension funds extended to 31 March 2030. Deeming provisions under section 50AA not to apply to gains on unlisted debt securities earned by these funds.
- TDS thresholds increased for insurance commission, interest on securities and deposits, dividend, income in respect of units of a mutual fund, etc.
- TCS on sale of goods (e.g., unlisted shares) omitted.
- LRS TCS threshold increased to INR10 lakh.
- TCS exemption on education remittances if loan taken from specified financial institutions.
- Scope of virtual digital assets expanded to include crypto assets that rely on cryptographically secured distributed ledger to validate and secure transactions.
- Obligation to report crypto asset transactions on an annual basis introduced.



Financial Services (2/2)

Policy proposals

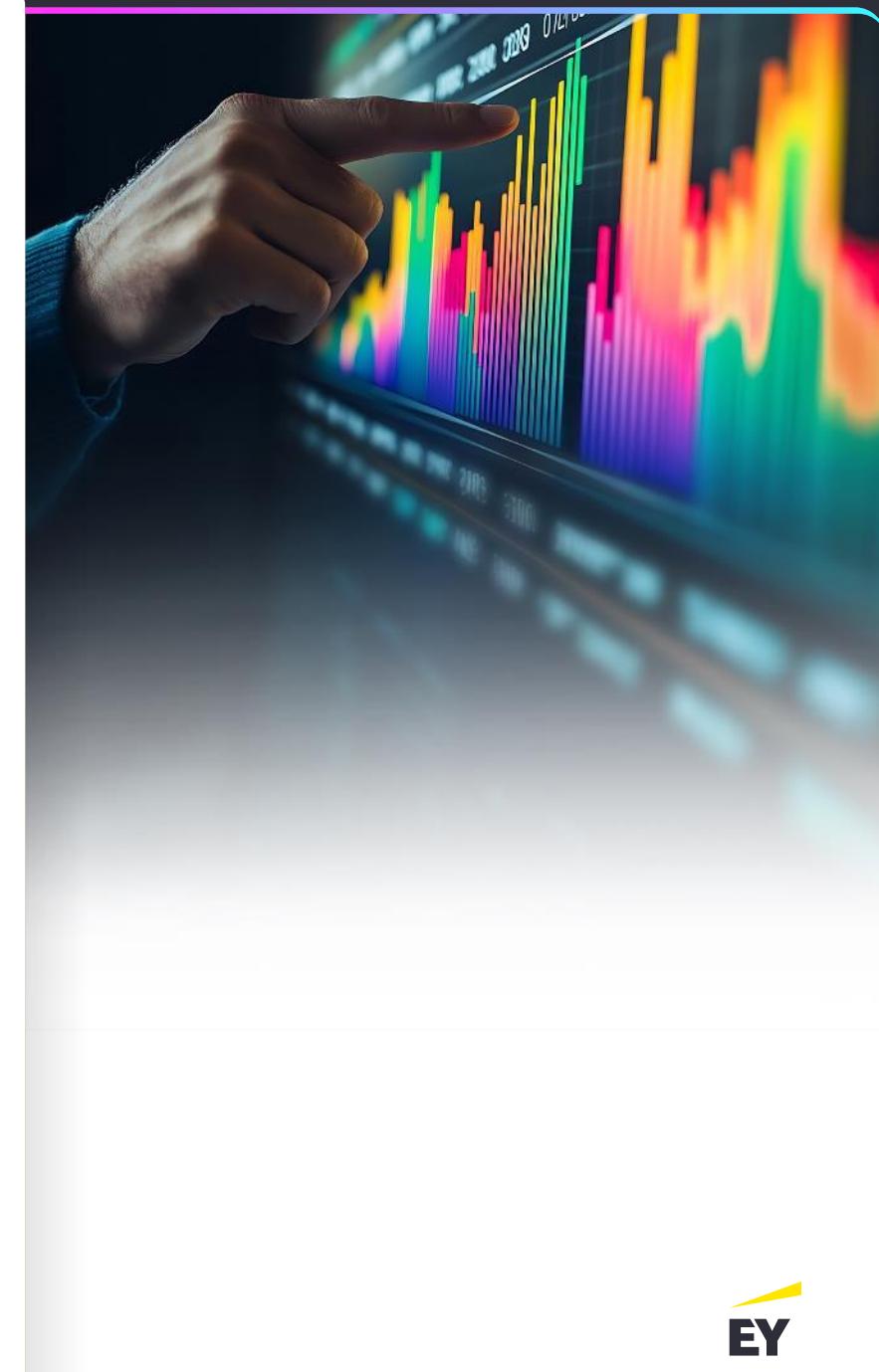
- FDI in insurance increased to 100% for companies investing their entire premium in India.
- Revamp Bilateral Investment Treaties (BITs) to make them more investor-friendly and attract sustained foreign investment.
- Revamp Central KYC Registry to simplify KYC processes.
- Range of services of India Post to be expanded for rural economy.
- Government to contribute INR10,000 crore to a new Fund of Fund aimed at enhancing AIFs for start-ups.
- Set up a Financial Stability and Development Council (FSDC) mechanism to evaluate financial regulations and improve responsiveness.
- Introduce a Partial Credit Enhancement Facility for corporate bonds for infrastructure.
- An Investment Friendliness Index of states to be launched in 2025 to further the spirit of competitive and cooperative federalism.



International Financial Services Centre

- Exemption of non-residents' income from derivative contracts or instruments* entered into with an FPI that is an IFSC unit, thereby permitting non-banks to issue instruments in a tax-neutral manner.
- Deemed dividend exemption for inter-group loans with one entity as an IFSC-based Finance Company or Treasury Centre.
- Retail schemes and ETFs are eligible for tax neutral relocation of offshore funds to IFSC.
- Incentives on capital gains and dividend exemptions available to aircraft leasing are extended to ship leasing units in IFSC.
- Life insurance policies issued by the IFSC Insurance Office shall be exempt from tax (relaxing premium limits).
- Indirect Indian resident participation in an eligible fund managed by an IFSC Fund Manager to be assessed on 1 April and 1 October.
- Sunset date for tax incentives for IFSC units in aircraft/ship leasing, investment IBUs, and fund relocation extended to 31 March 2030.

* Non-deliverable forwards, offshore derivative instruments or over the counter derivatives



Infrastructure (1/2)

- Development of a three-year pipeline of PPP projects by each infrastructure-related ministry.
- Allocation of INR1.5 lakh crore towards 50-year interest-free loans to states for capital expenditure and reform incentives.
- Second Asset Monetization Plan for 2025-30 to generate INR10 lakh crore capital for new projects.
- Set up of Maritime Development Fund with a corpus of INR0.25 lakh crore for long-term financing.
- Revamping of Shipbuilding Financial Assistance Policy.
- Modified UDAN scheme to be launched to enhance regional connectivity.
- Greenfield airport to be facilitated in Bihar.
- Upgradation of air cargo infrastructure and warehousing for high-value perishable horticulture produce.
- Extension of the Jal Jeevan Mission until 2028, focusing on quality infrastructure and rural piped water supply schemes.
- Urban Challenge Fund of INR1 lakh crore for 'Cities as Growth Hubs,' 'Creative Redevelopment of Cities,' and 'Water and Sanitation.'
- Non-applicability of maximum marginal rate of tax in respect of capital gains earned by InvITs on sale of listed investments.
- Benefit of Tonnage Tax Scheme expanded to inland vessels registered under Inland Vessels Act, 2021.



Infrastructure (2/2)

- Investments by Sovereign Wealth Fund and Pension Funds:
 - Tax exemptions on dividend, interest and capital gains extended for investment made up to 31 March 2030.
 - Capital gains from unlisted debt securities to continue to enjoy exemption, irrespective of whether they are classified as deemed short-term gains.
- Extension of benefits for ship-leasing and airline leasing activity through IFSC:
 - Sunset date for commencement of operations extended to 31 March 2030 for 80LA benefits.
 - Royalty and interest exemption for non-residents extended up to 31 March 2030.

- Capital gain exemption extended to transfer of shares of company engaged in ship-leasing activity.
- Extension of dividend exemption to IFSC company earning income from another IFSC company engaged in ship-leasing.
- Significant Economic Presence provisions not applicable in case of purchase of goods for export.
- Initial period for re-export of railway goods for repairs extended from six months to one year, further extendable by one year.
- BCD exemption for import of below extended to 31 March 2035:
 - Vessels and other floating structures for breaking up.
 - Raw materials, components, consumables or parts for use in the manufacture of ships and vessels.



Pharmaceutical

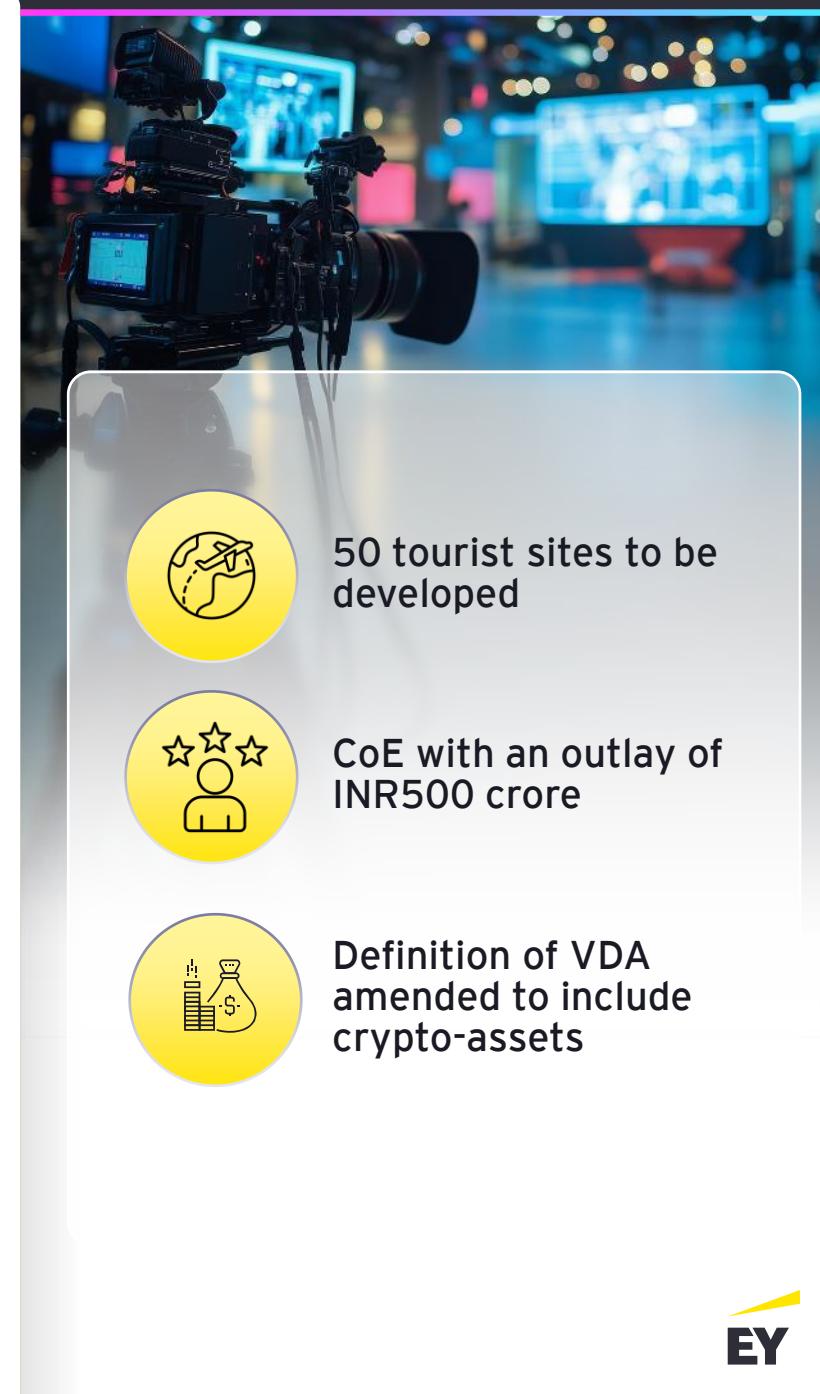
- BCD exemption on 36 new lifesaving drugs and related bulk drugs with effect from 2 February 2025.
- BCD exemptions to specified drugs and medicines (supplied free of cost) under Patient Assistance Programmes (PAP) by pharma companies extended to 37 more medicines and 13 PAPs.
- 5% concessional BCD on six new lifesaving drugs and their bulk drugs used in their manufacture with effect from 2 February 2025.
- Day care cancer centers to be set up in all district hospitals over the next three years, with 200 centers planned for financial year 2025-26.
- To give an impetus to medical education, the GoI plans to add 10,000 medical seats next year and aims for a total increase of 75,000 seats in the next five years, building on a 130% increase over the past decade.
- 10,000 fellowships for tech research in IITs and IISc under 'PM Research Fellowship scheme' over next five years with enhanced financial support.
- Promotion of Medical Tourism and Health in India through private sector collaboration, capacity building and simplified visa norms.
- INR20,000 crore allocated to boost private sector-driven R&D and innovation.
- Enhanced cost allocation for 'Saksham Anganwadi and Poshan 2.0' program, providing nutritional support to over nine crore beneficiaries.
- Healthcare under PM Jan Arogya Yojana to be extended to gig workers.
- Rural government primary health centers to receive broadband connectivity under 'Bharatnet' project.
- FDI cap in insurance raised to 100% under certain conditions, aiding health and life insurance, benefiting the healthcare industry.



Media & Entertainment

- Top 50 tourist destination sites in the country to be developed in partnership with states:
 - Measures are proposed for facilitating employment-led growth in tourism.
 - Medical tourism and Heal in India will be promoted in partnership with the private sector.
- Additional Centre of Excellence in AI announced for education with a total outlay of INR500 crore.
- A Deep Tech Fund of Funds will be explored to catalyze next generation start-ups:
 - Credit guarantee cover enhanced for start-ups.
 - Guarantee fee reduced to 1% for loans in 27 focus sectors.

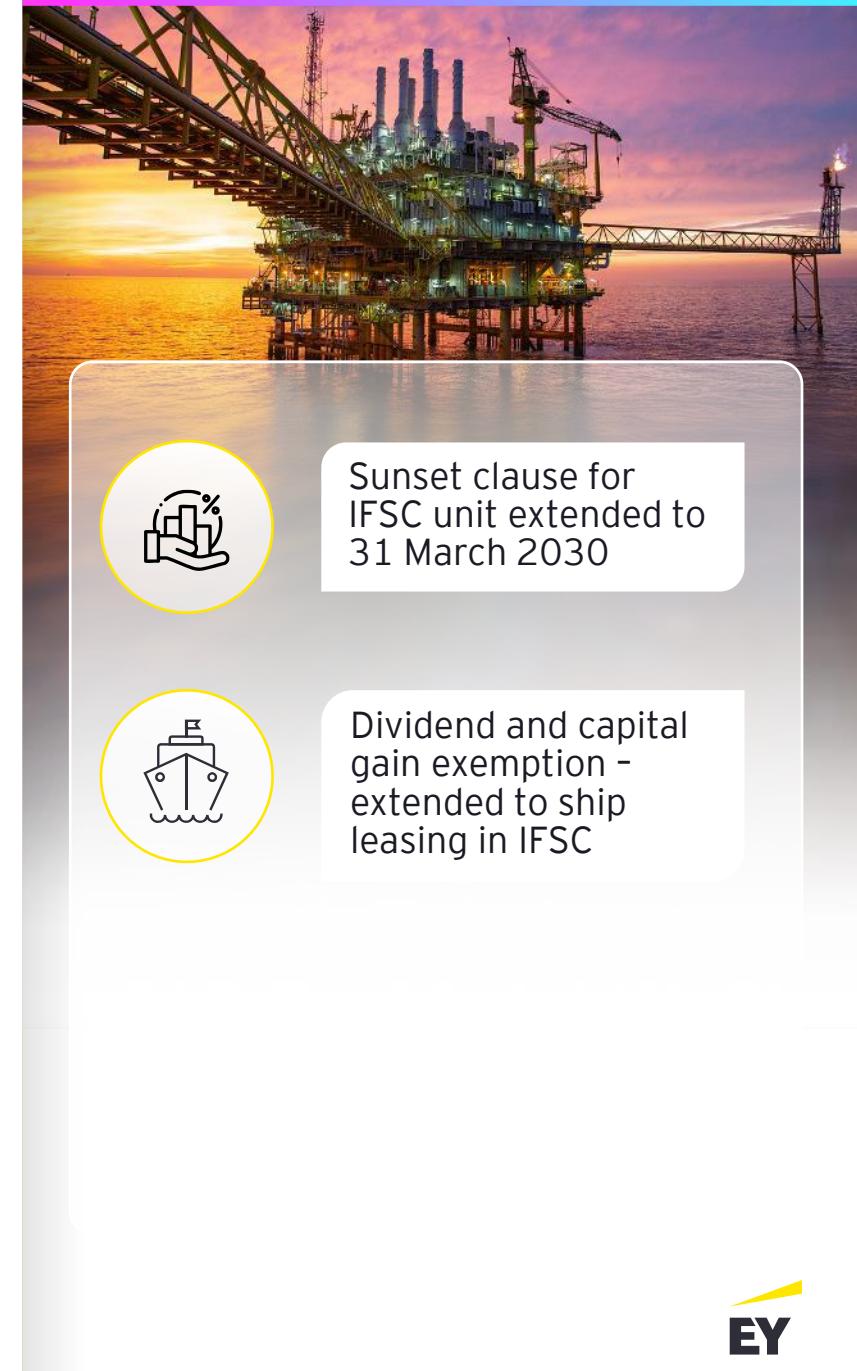
- Extension of time limit for incorporation of eligible start-ups up to 1 April 2030.
- New income tax bill to be introduced next week.
- No changes in corporate tax rates.
- Threshold on applicability of TDS on winnings from horse race and winnings from any lottery, crossword or puzzle, etc., revised to INR10,000 in respect of single transaction instead of aggregate limit per annum.
- Definition of Virtual Digital Asset (VDA) amended to include crypto-assets:
 - Reporting of transactions in crypto-assets to be made in a prescribed manner.



Oil & Gas

- The IFSC ship leasing framework, including vessels for oil and gas, offers new tax incentives for IFSC-based ship leasing units:
 - Non-resident shareholders or IFSC units primarily engaged in ship leasing are granted a capital gains tax exemption on the transfer of equity shares in domestic IFSC units, provided the gains are realized within 10 years of the investee unit's operational commencement
 - Dividend paid by a company being a unit of IFSC engaged primarily in ship leasing, to a unit of IFSC engaged primarily in ship leasing

- Following tax exemption sunset clauses for IFSC ship leasing units extended to March 31, 2030 (from 31 March 2025):
 - Royalty/ interest income paid by an IFSC unit to non-resident on leasing of ships
 - Gains arising on sale of leased ships (within the tax holiday period) by the IFSC unit
 - Non-residents' purchases in India for export would not constitute significant economic presence

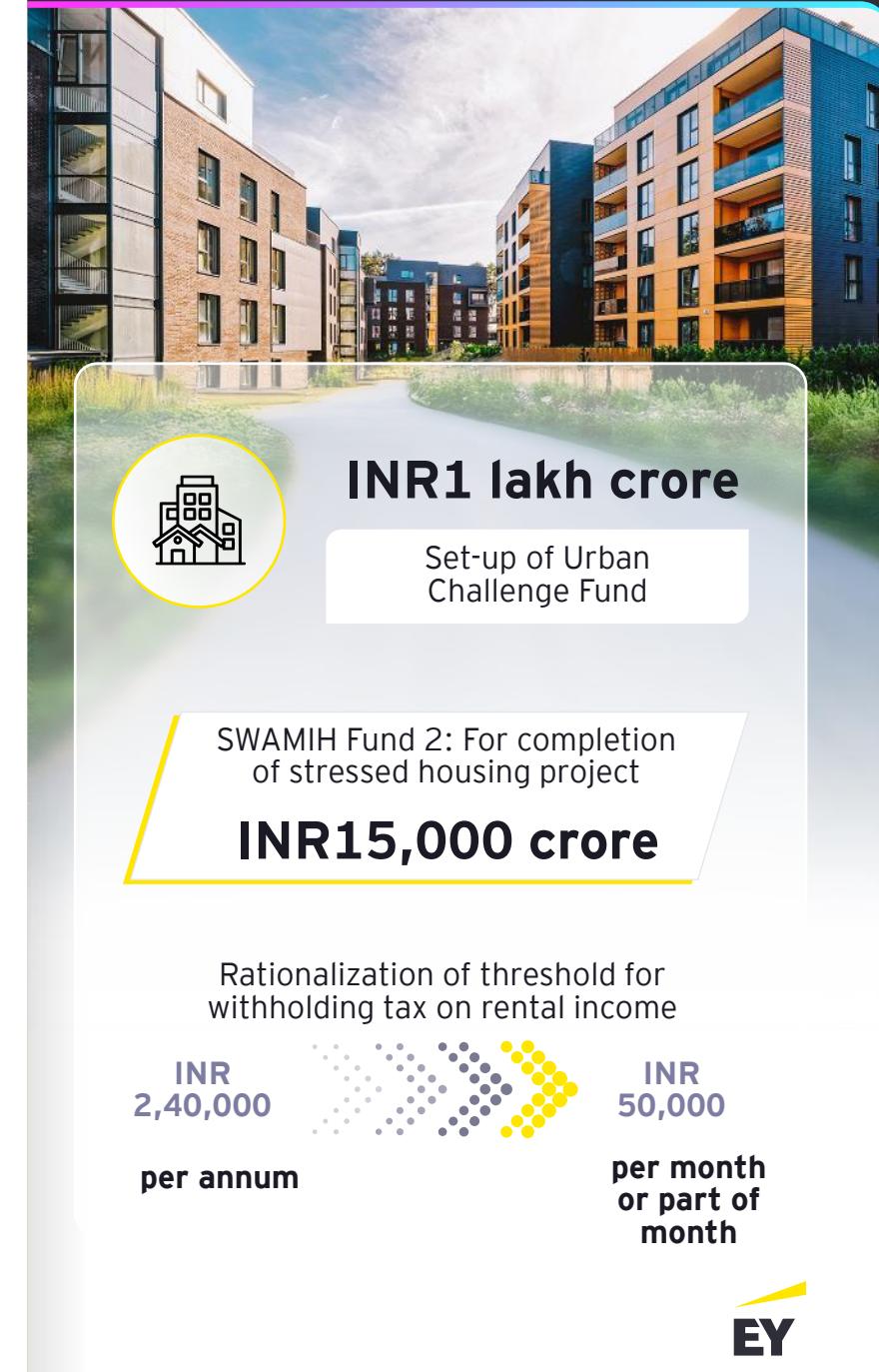


Real estate

- Continued focus on introducing reforms and incentives for urban land development
- Set-up of Urban Challenge Fund of INR1 lakh crore to implement proposals announced in July 2024 Budget such as 'Cities as growth hubs', 'Creative redevelopment of cities' and 'Water and Sanitation'
- Announcement of SWAMIH Fund 2 of INR15,000 crore for expeditious completion of 1 lakh units in stressed housing projects
- Plan to develop 50 tourism sites across country, hotels in such tourism sites will be included in Infrastructure Harmonised Master List
- The annual threshold for deduction of tax at source of INR2,40,000 on rent

has been changed to INR50,000 per month or part of the month. This is applicable with effect from 1 April 2025

- For FY 2024-25 and onwards, the deemed annual value of a second self-occupied property, which the owner cannot occupy due to any reason, will be considered as NIL for the purpose of calculating income under the head 'House Property'. Previously, this concession was limited to cases where non-occupation was due to employment, business or profession conducted elsewhere
- Amendment in CGST Act to replace 'plant or machinery' with 'plant and machinery'. This is effective from 1 July 2017



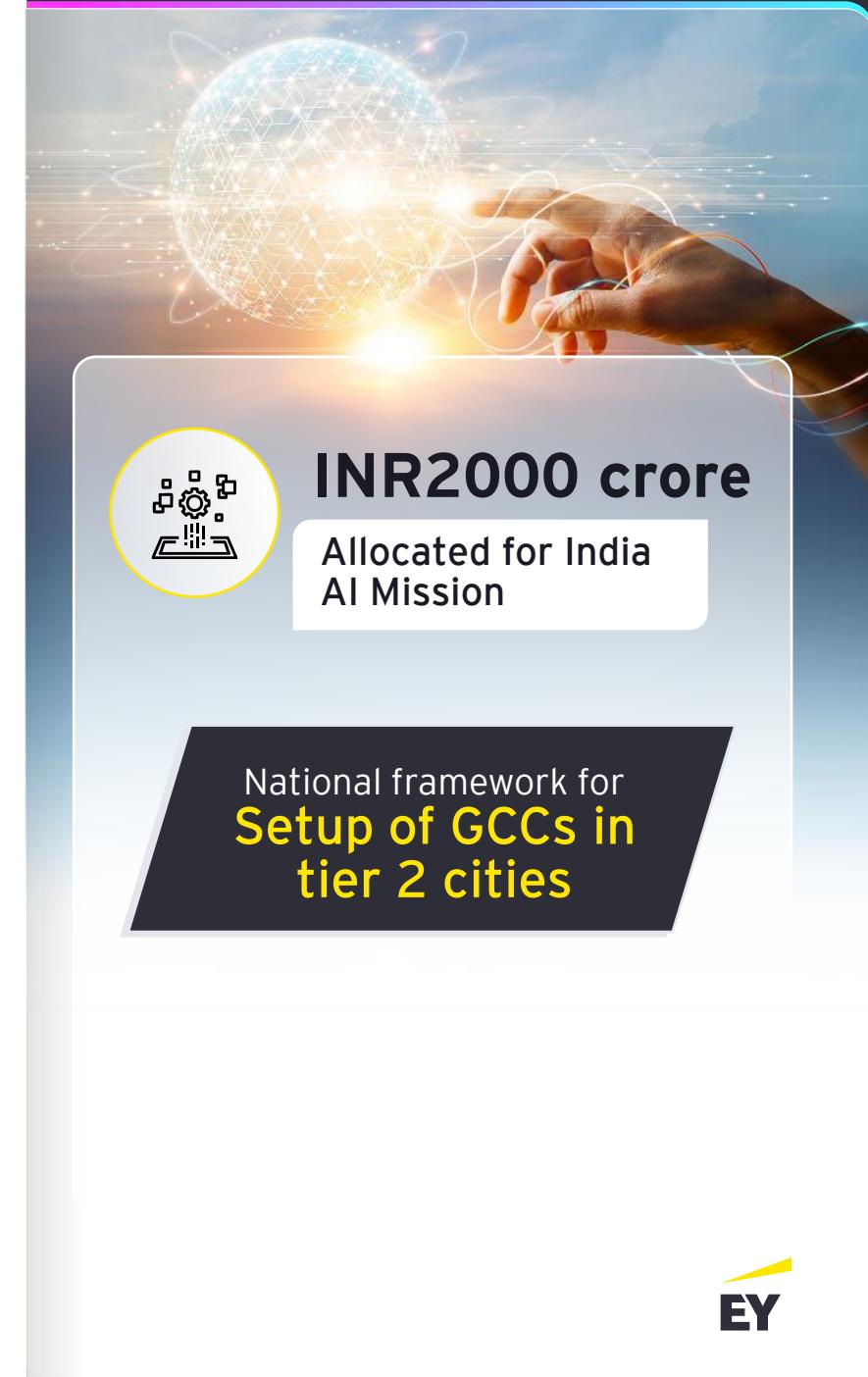
Start-up

- For the start-up sector, a new Fund of Funds would be set up with a fresh contribution of INR10,000 crore, which would have an expanded scope.
- Deep Tech Fund of Funds to be explored to support next-gen start-ups.
- Credit Guarantee cover for start-ups raised from INR10 crore to INR20 crore. Guarantee fee reduced to 1% for loans in 27 focus sectors.
- Extension of healthcare benefits to gig workers.
- Emphasis on building skills relevant for new technologies, such as setting up of Atal Tinkering Labs in government schools and centres of excellence for AI in education.
- Clean Tech Manufacturing Mission to be implemented with a focus on EV ecosystem, solar, wind, etc.
- Eligibility criteria for start-up specific tax benefits to be extended by five years to include start-ups incorporated up till 31 March 2030.
- Rationalization of TDS and TCS provisions.
- Procedures for company mergers to be rationalized and expedited.
- No change in corporate tax rates.
- New income tax bill to be introduced next week, expected to bring further structural tax reforms.



Technology

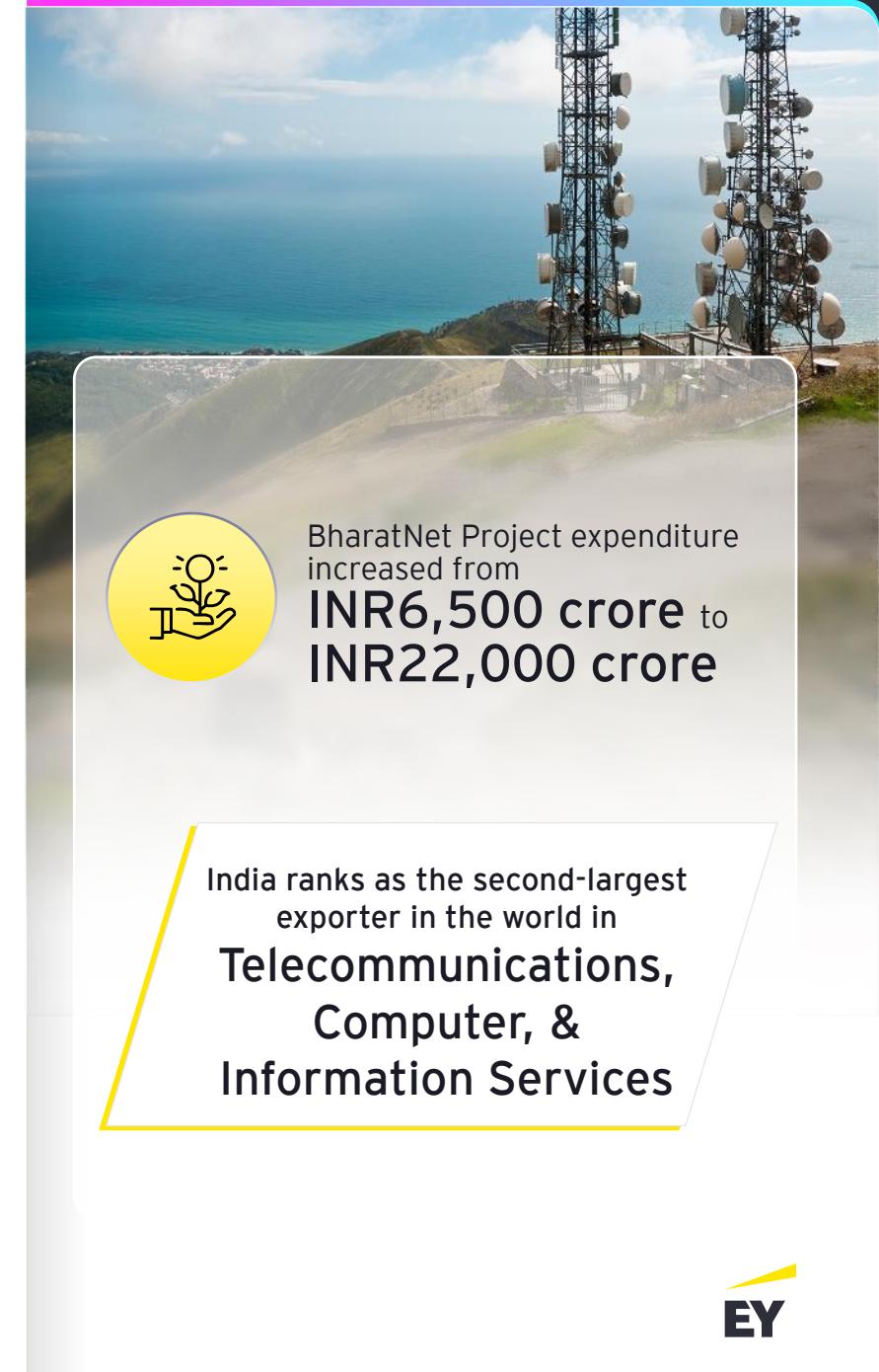
- Encouraging measures for the IT sector include INR2,000 crore allocation for India AI mission, INR500 crore for setting up Centre of Excellence in AI for Education, and launching a Deep Tech Fund to accelerate cutting-edge tech
- Government to formulate national framework to promote setup of Global Capability Centres in tier 2 cities
- Presumptive tax of ~10% introduced for non-residents providing services/technology in establishing/ operating electronics manufacturing facility under a central government scheme
- Sunset clause to avail various tax incentives by Start-ups to be extended by five years
- Provisions proposed to opt for ALP determined by TPO for a block period of three years and expansion of safe harbour provisions
- New income tax bill to be introduced to simplify provisions, reduce litigation and promote tax certainty
- Trend of customs duty rationalization to bolster 'Make in India' for electronics manufacturing continues
- Rationalization of TDS and TCS provisions
- No change in corporate tax rates
- Procedures for company mergers to be rationalized and sped up



Telecom

- Union Budget 2025 reflects the government's commitment to strengthening India's digital infrastructure and ensuring that telecom remains a key enabler of economic growth.
- Impetus given to create telecom infrastructure for providing broadband connectivity to Gram Panchayats and provisioning of broadband services in rural areas.
- The Budget focuses on introducing various measures aimed at supporting the 'Make in India' theme:
 - Reduction in BCD rates of various components for manufacture of certain mobile phone parts.
 - BCD reduced from 20% to 10% on carrier grade ethernet switches making it at par with non-carrier grade ethernet switches.

- Conditional exemption rate to continue up to 31 March 2027 for goods for the manufacture of telecommunication grade optical fibres or optical fibre cables.
- Ease of doing business considerations:
 - Presumptive taxation regime for non-residents engaged in providing services or technology to a resident company establishing or operating electronics manufacturing or connected facility.
 - Transfer pricing provisions for carrying out multi-year arm's length price determination.
 - Scope for fast-track merger of companies to be widened and merger process to be rationalized.
 - New income tax bill to be introduced.
 - TCS defaults to be decriminalized.
 - TDS rates and threshold limits to be rationalized.



Power & Utilities

Clean tech manufacturing:

- Focus on accelerating clean tech manufacturing—solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, ultra-high voltage transmission equipment, and grid-scale batteries—to enhance domestic value addition and develop a robust ecosystem.

Electricity:

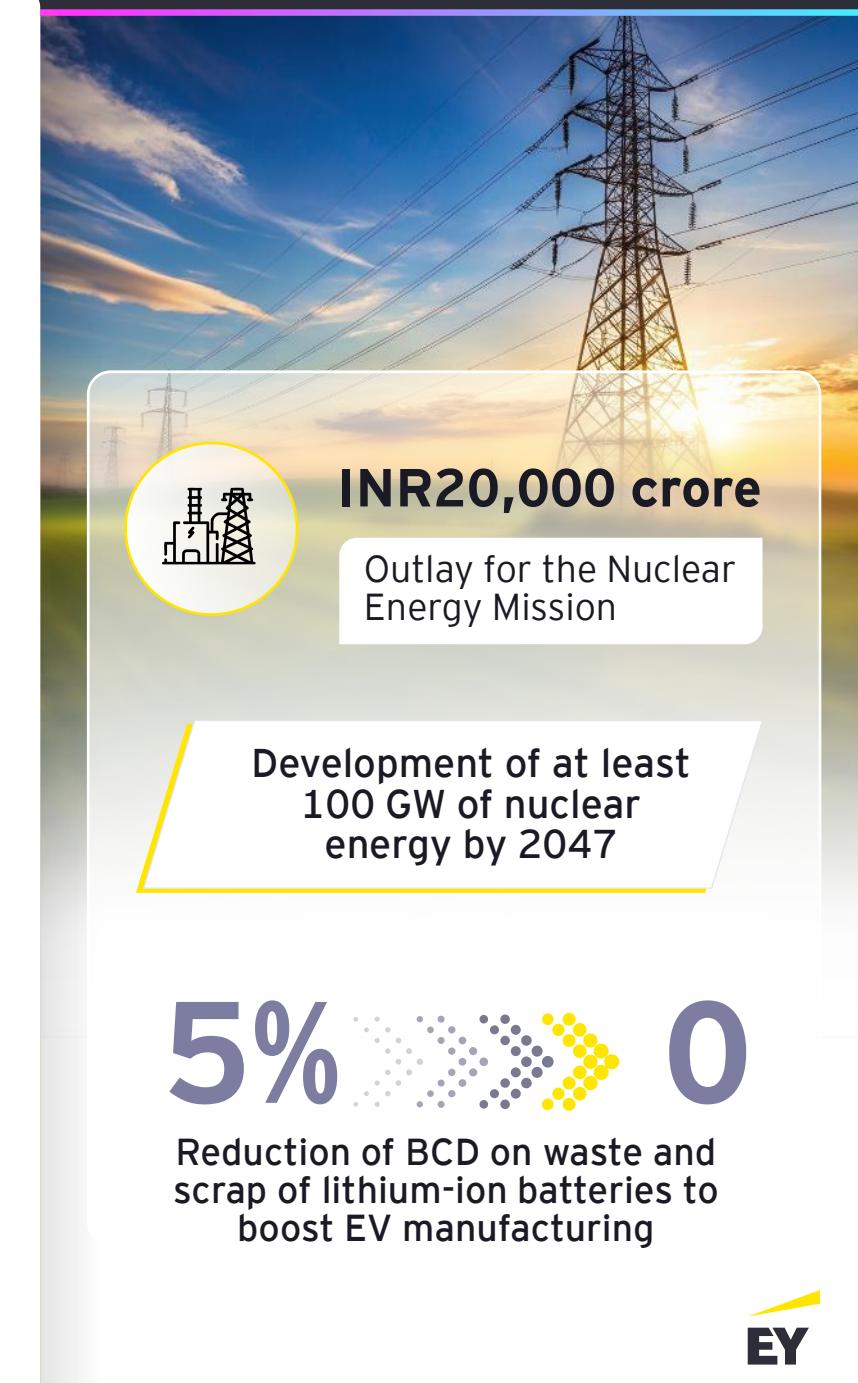
- Incentivizing electricity distribution reforms and augmentation of intra-state transmission capacity by states.
- Allowing additional borrowing of 0.5% of Gross State Domestic Product (GSDP) for states, contingent on the proposed reforms.

Nuclear energy:

- Development of at least 100GW of nuclear energy by 2047.
- To facilitate private sector engagement towards this goal, amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act are proposed.
- Allocation of INR20,000 crore for establishment of Nuclear Energy Mission for research and development of Small Modular Reactors (SMR).
- Operationalization of at least five indigenous SMRs by 2033.

Electric Vehicle (EV) industry:

- To boost electric vehicle manufacturing, 35 additional capital goods, including scrap and waste of lithium-ion batteries, will be exempt from customs duties.



For details on other sectors and solutions visit our website



Union Budget 2025



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Decoding Budget 2025



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