

## Highlights of Budget 2025-26

- **India's economy is the fastest-growing among all major global economies.** Over the past 10 years, Modi Govt's development track record and structural reforms have garnered significant international attention.
  - The transformative work during this Government's first 2 terms serves as a guiding light, enabling this govt to move forward with determination.
- In this Budget, the proposed development measures span across various sectors focusing on Garib, Yuva, Annadata and Nari. (Poor, Youth, Farmers, Women)

### Income Tax relief

- Democracy, Demography and Demand are the key support pillars in our journey towards Viksit Bharat. **The middle class provides strength for India's growth.**
  - Hon'ble Prime Minister Modi led NDA Govt has always believed in the admirable energy and ability of the middle class in nation building.
  - In recognition of their contribution, **Govt periodically has reduced their tax burden. Right after 2014, the 'Nil tax' slab was raised to ₹2.5 lakh, which was further raised to ₹5 lakh in 2019 and to ₹7 lakh in 2023.**
  - **In this Budget Govt has announced that there will be No Income Tax payable upto income of ₹12 lakh** (i.e. average income of ₹1 lakh per month other than special rate income such as capital gains) **under the new regime.**
  - **For the Salaried Class, No Income Tax is applicable till annual income of ₹12.75 lakh, due to standard deduction benefit available to salaried class of ₹75,000.**
- The total tax benefit of slab rate changes and rebate at different income levels can be illustrated with examples.
  - **A tax payer in the new regime with an income of ₹12 lakh will get a benefit of ₹80,000 in tax** (100% of tax payable as per existing rates will be exempt). The effective income tax rate will be 0%.
  - **A person having income of ₹16 lakh will get a benefit of ₹50,000 in tax.** [The effective income tax rate payable will be just 7.5%]
  - **A person having income of ₹18 lakh will get a benefit of ₹70,000 in tax.** [The effective income tax rate payable will be just 8.8%]
  - **A person having income of ₹20 lakh will get a benefit of ₹90,000 in tax.** [The effective income tax rate payable will be just 10%].
  - **A person with an income of ₹25 lakh gets a benefit of ₹1,10,000.** [The effective tax rate will be just 13.2%]
  - **A person with an income of ₹50 lakh also gets a benefit of ₹1,10,000.** [The effective tax rate will be just 21.6%]

**As a result of these proposals, revenue of about ₹ 1 lakh crore in direct taxes will be forgone.**

## Illustration

Income	Tax on Slabs and rates		Benefit of Rate/Slab	Rebate benefit (for those earning below Rs.12 lakh) Full rebate upto Rs. 12 lakhs	Total Benefit	Tax after benefit
	Present	Proposed				
Up to 8 lakh	30,000	20,000	10,000	20,000	30,000	0
9 lakh	40,000	30,000	10,000	30,000	40,000	0
10 lakh	50,000	40,000	10,000	40,000	50,000	0
11 lakh	65,000	50,000	15,000	50,000	65,000	0
12 lakh	80,000	60,000	20,000	60,000	80,000	0
16 lakh	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lakh	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lakh	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lakh	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

Revised Tax Slabs (FY 2025-26)	
0-4 lakh rupees	Nil
4-8 lakh rupees	5 per cent
8-12 lakh rupees	10 per cent
12-16 lakh rupees	15 per cent
16-20 lakh rupees	20 per cent
20- 24 lakh rupees	25 per cent
Above 24 lakh rupees	30 per cent

## Key Announcements

- Government will undertake a '**Prime Minister Dhan-Dhaanya Krishi Yojana**' in partnership with states.
  - This scheme **will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters. It will help 1.7 crore farmers.**
- Govt will now launch a 6-year "**Mission for Aatmanirbharta in Pulses**" with a **special focus on Tur, Urad and Masoor.**
  - **It will focus on improving productivity, domestic pulses production, assuring remunerative prices to the farmers and development of climate resilient seeds.**
- **Kisan Credit Cards (KCC)** facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers. **The KCC loan limit will be enhanced from ₹3 lakh to ₹5 lakh for loans under the Modified Interest Subvention Scheme.**
- A comprehensive **multi-sectoral 'Rural Prosperity and Resilience'** programme will be launched in partnership with states.
  - This will address **under-employment in agriculture** through skilling, investment, technology, and invigorating the rural economy.
  - **The goal is to generate ample opportunities in rural areas so that migration is an option, but not a necessity.**
  - **In Phase-1, 100 developing agri-districts will be covered.**
- **A new scheme for socio-economic upliftment of Urban Workers will be implemented** to help them improve their incomes, have sustainable livelihoods and a better quality of life.
- Govt will arrange for **Gig Worker's identity cards and registration on the e-Shram portal.** Gig workers will be provided **healthcare under PM Jan Arogya Yojana.** **This measure is likely to assist nearly 1 crore gig-workers.**
- **SWAMIH Fund 2 will be established** as a blended finance facility with contribution from the Government, banks and private investors. **This fund of ₹15,000 crore will aim for expeditious completion of another 1 lakh units.**
  - SWAMIH has delivered 50,000 dwelling units. Another 40,000 units will be completed in 2025.
- **To improve access to credit, the Credit Guarantee Cover will be enhanced:**
  - a) **For Micro and Small Enterprises, from ₹5 crore to ₹10 crore,** leading to additional credit of ₹1.5 lakh crore in the next 5 years.
  - b) **For Startups, from ₹10 crore to 20 crore,** with the guarantee fee being moderated to 1 per cent for loans in 27 focus sectors important for Atmanirbhar Bharat.
  - c) **For well-run exporter MSMEs, for term loans up to ₹20 crore.**

- **In the Tourism sector, Top 50 tourist destination sites** in India will be developed in partnership with states through a challenge mode. the following measures will be taken for facilitating employment-led growth:
  - **Organizing intensive skill-development programmes** for our youth including in Institutes of Hospitality Management
  - **Providing MUDRA loans for homestays**
  - **Providing performance-linked incentives to states for effective destination management** including tourist amenities, cleanliness, and marketing efforts
  - **Introducing streamlined e-visa facilities.**
- **To help MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively.**

This will give them the confidence to grow and generate employment for our youth.

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
<b>Micro Enterprises</b>	<b>1</b>	<b>2.5</b>	<b>5</b>	<b>10</b>
<b>Small Enterprises</b>	<b>10</b>	<b>25</b>	<b>50</b>	<b>100</b>
<b>Medium Enterprises</b>	<b>50</b>	<b>125</b>	<b>250</b>	<b>500</b>

- **'Export Promotion Mission' to be set up** which will be driven jointly by the Ministries of Commerce, MSME, and Finance. It will facilitate easy access to export credit, cross-border factoring support, and support to MSMEs.
- **The revamped Central KYC Registry will be rolled out in 2025 for simplifying KYC process.** We will also implement a streamlined system for periodic updating of KYC.
- Presently, the **Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, Govt has fixed a time-limit of two years, extendable by a year, for finalising the provisional assessment.**
- To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, **Govt has proposed to add 36 lifesaving drugs and medicines to the list of medicines fully exempted from Basic Customs Duty (BCD).**
  - Govt also **proposed to add 6 lifesaving medicines to the list attracting concessional customs duty of 5%.** Full exemption and concessional duty will also respectively apply on the bulk drugs for manufacture of the above.
- **New Income Tax Bill to be introduced in the Budget session.** The New Income Tax Bill will be clearer and will have around 50% lesser text compared to the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

## Key Highlights

### Improving Agricultural Growth and Rural Development

- A **Makhana Board** will be established in Bihar to improve production, processing, value addition, and marketing of makhana.
- A **National Mission on High Yielding Seeds** will be launched.
- We will undertake '**Mission for Cotton Productivity**', for the benefit of lakhs of cotton growing farmers.
  - This 5-year mission will facilitate significant improvements in productivity and sustainability of cotton farming, and promote extra-long staple cotton varieties.
- **Government will bring in an enabling Framework for sustainable harnessing of Fisheries from Indian Exclusive Economic Zone (EEZ) and High Seas**, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.
- A **Urea plant with annual capacity of 12.7 lakh metric tons will be set up at Namrup, Assam.**
- **India Post will also be transformed as a large public logistics organization.**
  - This will meet the rising needs of Viswakarmas, new entrepreneurs, women, self-help groups, MSMEs, and large business organizations.

### Entrepreneurship, MSMEs & Employment

- The Govt will introduce '**Customized Credit Cards**' with a ₹5 lakh limit for **Micro Enterprises** registered on Udyam portal. In the first year, **10 lakh such cards will be issued.**
- A new **Fund of Funds for Startups**, with a contribution of ₹10,000 crore will be set up.
- A new scheme will be launched for **5 lakh women, Scheduled Castes and Scheduled Tribes 'First-time entrepreneurs'**.
  - This will provide Term Loans up to ₹2 crore during the next 5 years.
- For **India's footwear and leather sector**, a focus product scheme will be implemented. The scheme is expected to facilitate employment for **22 lakh persons**, generate turnover of ₹4 lakh crore and exports of over ₹1.1 lakh crore.
  - **Basic Custom duty on Wet Blue leather is now fully exempt** to facilitate imports for domestic value addition and employment.
- **Govt will support Clean Tech manufacturing to improve domestic value addition, jobs and build our ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid scale batteries.**
- **5 National Centres of Excellence for Skilling will be set up** with global expertise and partnerships.

## Investments

### A. Investing in people

- The **Saksham Anganwadi and Poshan 2.0 programme** provides nutritional support to more than 8 crore children, 1 crore pregnant women and lactating mothers all over the country, and about 20 lakh adolescent girls in aspirational districts and the north-east region. **The cost norms for the nutritional support will be enhanced appropriately.**
- **50,000 Atal Tinkering Labs will be set up** in Government schools in next 5 years.
- **Broadband connectivity** (Bharat Net) will be provided to **all Government secondary schools** and **primary health centres** in rural areas
- **Bharatiya Bhasha Pustak Scheme** will introduced to provide digital-form Indian language books for school and higher education.
- **Additional infrastructure will be created in the 5 IITs started after 2014 to facilitate education for 6,500 more students.** (Total number of students in 23 IITs has increased 100 per cent from 65,000 to 1.35 lakh in the past 10 years.)
- **A Centre of Excellence in Artificial Intelligence** for education will be set up **with a total outlay of ₹500 crore.**
- **In the next year, 10,000 additional seats will be added in medical colleges** and hospitals, towards the goal of adding 75,000 seats in the next 5 years. (Govt has added almost 1.1 lakh UG and PG medical education seats in 10 years, an increase of 130 per cent.)
- **Govt will facilitate setting up of Day Care Cancer Centres in all district hospitals** in the next 3 years. **200 Centres will be established in 2025-26.**

### Urban livelihood and Urban Development

- **PM SVANidhi will be revamped** with enhanced loans from banks, **UPI linked credit cards** with ₹30,000 limit, and **capacity building support.**
- **Urban Challenge Fund of ₹1 lakh crore** to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation' announced in the July Budget.
  - **An allocation of ₹10,000 crore** is proposed for 2025-26 for this fund.

### B. Investing in Economy

- **An outlay of ₹1.5 lakh crore is proposed for the 50-year interest free loans to states for capital expenditure** and incentives for reforms.
- **Second Asset Monetization Plan 2025-30 will be launched to plough back capital of ₹10 lakh crore in new projects.**
- **Extension of the Jal Jeevan Mission until 2028** with an enhanced total outlay for quality of infrastructure and maintenance of rural piped water supply schemes through "Jan Bhagidhari"

- Govt will **incentivize Electricity Distribution reforms** and **improvement of intra-state transmission capacity by states**. This will improve financial health and capacity of electricity companies. **Additional borrowing of 0.5 per cent of GSDP will be allowed to states, contingent on these reforms**.
- A **Nuclear Energy Mission** for research & development of **Small Modular Reactors (SMR)** with an outlay of **₹20,000 crore will be set up**. At least 5 indigenously developed SMRs will be operationalized by 2033.
- The **Shipbuilding Financial Assistance Policy** will be revamped to address cost disadvantages in the shipbuilding sector.
- For long-term financing for the maritime industry, a **Maritime Development Fund with a corpus of ₹25,000 crore will be set up**.
- A **modified UDAN scheme** will be launched to enhance regional connectivity to **120 new destinations and carry 4 crore passengers in the next 10 years**.
- **Financial support will be provided for the Western Koshi Canal ERM Project** benefitting a large number of farmers cultivating **over 50,000 hectares of land in the Mithilanchal region of Bihar**.
- Govt has proposed to **fully exempt cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals**. This will help secure their availability for manufacturing in India and promote more jobs for our youth.
  - To further boost the manufacture of such Open Cells, the BCD on these parts will now stand exempted.
- Govt has proposes to **add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing**. This will boost domestic manufacture of lithium-ion battery, for mobile phones & EVs.

### C. Investing in Innovation

- Govt has allocated **₹20,000 crore to implement private sector driven Research, Development and Innovation** initiative announced in the July Budget.
- A **Deep Tech Fund of Funds** will also be explored to catalyze the next generation startups as a part of this initiative.
- In the next 5 years, under the **PM Research Fellowship scheme**, we will provide **10,000 fellowships for technological research in IITs and IISc** with enhanced financial support.
- The **2nd Gene Bank with 10 lakh germplasm lines** will be set up for future food and nutritional security.
- We will start a **National Geospatial Mission** to develop foundational geospatial infrastructure and data.
- A **Gyan Bharatam Mission** for survey, documentation and conservation of our **Manuscript Heritage** with academic institutions, museums, libraries and private collectors will be undertaken to cover more than 1 crore manuscripts.

## Efforts for promoting Exports

- A digital public infrastructure, 'Bharat Trade Net' (BTN) for international trade will be set-up as a **unified platform for trade documentation and financing solutions**
- A National Framework for **promoting Global Capability Centres (GCCs)** will be formulated as guidance to states to set up GCCs in **emerging tier 2 cities**.
- **Govt will facilitate upgradation of infrastructure and Warehousing for Air Cargo** including high value perishable horticulture produce.
- **To facilitate exports of Handicrafts**, Govt has extended the time period for export from 6 months to 1 year.
- Govt has introduced a new provision that will enable importers or exporters, after clearance of goods, to **voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance.**

## Reforms

- Over the past 10 years, our Government has implemented several reforms for convenience of tax payers, such as:
  - faceless assessment, tax payers charter, faster returns, almost 99 per cent returns being on self-assessment, and Vivad se Vishwas scheme.

Continuing these reform efforts:

- **The FDI limit for the insurance sector will be raised from 74 to 100 per cent.** This enhanced limit will be available for those companies which invest the entire premium in India.
- **Public Sector Banks will develop 'Grameen Credit Score'** framework to serve the credit needs of SHG members and people in rural areas.
- **A forum for regulatory coordination and development of pension products** will be set up.
- **A High-Level Committee for Regulatory Reforms** will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions
- **An Investment Friendliness Index of States will be launched** in 2025.
- **Under the FSDC (Financial Stability and Development Council), a mechanism will be set up to evaluate impact of the current financial regulations and subsidiary instructions.**
- **Jan Vishwas Bill 2.0** will be brought to decriminalize more than 100 provisions in various laws. (Under Jan Vishwas Act 2023, more than 180 legal provisions were decriminalized.)

## Other Tax Reforms

- Presently, the **Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, Govt has fixed a time-limit of two years, extendable by a year, for finalising the provisional assessment.**
- Presently tax-payers can claim the annual value of self-occupied properties as nil only on the fulfilment of certain conditions. Considering the difficulties faced by taxpayers, **Govt now has allowed the benefit of 2 such self-occupied properties without any condition.**
- **To streamline the process of transfer pricing** and to provide an alternative to yearly examination, Govt has introduced a scheme for determining arm's length price of international transaction for a block period of 3 years. This will be in line with global best practices.
- With a view to reduce litigation and provide certainty in international taxation, **the scope of Safe Harbour Rules is being expanded.**
- Govt has provided a presumptive taxation regime for non residents who provide services to a resident company that is establishing or operating an electronics manufacturing facility.
- Presently the tonnage tax scheme is available to only sea going ships. **The benefits of existing tonnage tax scheme are proposed to be extended to inland vessels registered under the Indian Vessels Act, 2021** to promote inland water transport in the country
- **Govt has proposed to extend the period of incorporation of Startups by 5 years to allow the benefit available to start-ups which are incorporated before 1.4.2030.**
- In order to attract and promote additional activities in the IFSC, Govt has proposed specific benefits to ship-leasing units, insurance offices and treasury centres of global companies which are set up in IFSC. Further, **to claim benefits, the cut-off date for commencement in IFSC has also been extended by five years to 31.3.2030.**
- Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. **As a measure of promoting ease of doing business, Govt has proposed to fix a time-limit of two years, extendable by a year, for finalising the provisional assessment.**

## Measures in Indirect Taxation

- As a part of comprehensive review of Customs rate structure announced in July 2024 Budget, Govt has proposed to:
  - **Remove 7 tariff rates. This is over and above the 7 tariff rates removed in 2023-24 budget.** After this, there will be only 8 remaining tariff rates including 'zero' rate. (

- **Apply appropriate cess to broadly maintain effective duty incidence except on a few items**, where such incidence will reduce marginally.
- **Levy not more than one cess or surcharge**. Therefore, It is proposed to exempt Social Welfare Surcharge on 82 tariff lines that are subject to a cess.
- Specified drugs and medicines **under Patient Assistance Programmes run by pharmaceutical companies are fully exempt from BCD**, provided the medicines are supplied free of cost to patients. **Govt has proposed to add 37 more medicines along with 13 new patient assistance programmes**.
- For industry to better plan their imports, govt has proposed to extend the time limit for the end-use of imported inputs in the relevant rules, from six months to one year.
  - This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

### Measures in Direct Taxation

- **New Income Tax Bill to be introduced in the Budget session**. The new bill will be clear and around 50% lesser text compared to the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.
- **The limit for tax deduction on interest for senior citizens is being doubled from the present ₹50,000 to ₹1 lakh**.
- **Annual limit of ₹2.40 lakh for TDS on rent is being increased to ₹6 lakh**. This will reduce the number of transactions liable to TDS, thus benefitting small tax payers receiving small payments.
- The threshold to collect **tax at source (TCS) on remittances** under RBI's Liberalized Remittance Scheme (LRS) **is proposed to be increased from ₹7 lakh to ₹10 lakh**.
- Govt has **proposed to Remove TCS on Remittances for Education Purposes**, where such remittance is out of a loan taken from a specified financial institution.
- Govt brought the **Updated return facility in 2022 for voluntary compliance** by taxpayers who had omitted to report their correct income.
  - Govt's trust in taxpayers was proved right. **Nearly 90 lakh taxpayers voluntarily updated their incomes by paying additional tax**.
  - **It is proposed to extend the time-limit to file updated returns for any assessment year, from the current limit of 2 years, to 4 years.**
- A number of senior and very senior citizens have very old National Savings Scheme accounts. As interest is no longer payable on such accounts, therefore **govt has proposed to exempt withdrawals made from NSS by individuals on or after the 29th of August, 2024**.
  - **Govt also has proposed to allow similar Tax treatment to NPS Vatsalya accounts as is available to normal NPS accounts**, subject to overall limits.