
UNION BUDGET 2025
JDP & Co
Chartered Accountants

UNION BUDGET 2025

Highlights of Budget 2025-26

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BUDGET OVERVIEW - INDIA 2025-26

1. Economic Overview - India 2025-26

India's projected GDP growth: 6.4% (compared to 7% in 2024)

Fiscal deficit target: 4.4% of GDP, reflecting fiscal consolidation efforts. Government capex contraction leads to fall in gross fixed capital formation growth from 9.0% (FY24) to 6.4% (FY25)

Government borrowing projected to decline, easing pressure on interest rates, Inflation expected to moderate, supporting consumer spending and investment

Key macroeconomic risks: global recession concerns, oil price volatility, and geopolitical uncertainties

2. Policy reforms- Key Updates (1/5)

- **Agricultural:** A six-year agricultural program has been introduced to boost the production of pulses and cotton, with the objective of reducing reliance on imports. As part of this initiative, state agencies will procure pulses at assured prices, ensuring greater financial security for farmers. This provides a significant advantage to a pigeon pea farmer in Maharashtra, who can now benefit from improved price stability and government support.
- **Support for the Gig Economy**: The budget outlines measures to formalize gig economy workers, ensuring better access to healthcare and welfare programs. This initiative aims to enhance social security for workers in sectors like food delivery and ride-hailing services.
- **Nuclear Energy Mission**: A significant initiative, the Nuclear Energy Mission, aims to achieve 100 GW of nuclear power capacity by 2047. This long-term strategy focuses on diversifying India's energy mix while promoting sustainable and reliable power generation. The initiative also presents new investment opportunities for global players in the renewable and clean energy sectors, reinforcing India's commitment to energy security and sustainability
- **UDAN Expansion:** The UDAN scheme is set for a major expansion, adding 120 new destinations to improve regional air connectivity across India. This initiative is expected to accommodate an additional 4 crore passengers, significantly boosting domestic travel. By making air travel more accessible and affordable, the expansion strengthens India’s position in the global tourism market while driving economic growth in emerging aviation hubs.

2. Policy reforms (2/5)

- **India's Medical Tourism Boom:** To further enhance healthcare accessibility, the government has announced the establishment of Cancer Day Centres across all districts, ensuring timely diagnosis and treatment for patients nationwide. Additionally, a reduction in custom duties on medical medicines and equipment will lower healthcare costs, benefiting both domestic and international patients.

- **Consumption:** The budget goes beyond policy measures—it directly empowers the Indian consumer by increasing disposable income, triggering a consumption boom across various sectors. With no income tax payable on earnings up to ₹12 lakh, this landmark reform is set to revive consumption and accelerate formalization, ensuring broader economic participation. This surge in spending is expected to benefit domestic tourism, hotels, airlines, and travel services, creating a ripple effect that fuels unprecedented growth in the travel industry. Additionally, revenue expenditure is projected to grow at 7% in FY26, a significant rise from 6% in FY25 and just 1% in FY24, highlighting the government's commitment to sustained economic momentum.

- **Visa-Free Travel**: The government has introduced visa-free entry for select foreign travelers, marking a significant step toward enhancing India's appeal as a global tourist destination. Simplified e-visa procedures will further facilitate seamless entry, encouraging a surge in international arrivals. This initiative is poised to boost tourism revenue, generate employment opportunities, and strengthen India's standing in the global travel industry, driving economic growth and cultural exchange.

2. Policy reforms (3/5)

- **R&D and Innovation:** The budget allocates an impressive **₹20,000 crore** towards research and development, a bold step to foster innovation and intellectual property creation, especially within the Electronics System Design and Manufacturing (ESDM) sector. This includes the introduction of 10,000 technology fellowships at IITs, nurturing the next generation of tech innovators.

- Additionally, the establishment of Centers of Excellence (CoEs) focused on skilling and artificial intelligence will accelerate advancements in emerging technologies. These CoEs will not only contribute to technological breakthroughs but also indirectly propel the growth of the ESDM sector, positioning India as a global leader in tech innovation.

- **AI Mission**: The government has earmarked **₹2,000 crore** for the AI Mission, focusing on GPU programs and AI infrastructure development. This strategic investment aims to position India as a global leader in artificial intelligence, fostering innovation and technological self-reliance.

- A key outcome of this initiative is its ripple effect on the Electronics System Design and Manufacturing (ESDM) sector, driving demand for advanced electronics, high-performance computing infrastructure, and semiconductor innovation. By strengthening AI capabilities, this mission is set to fuel growth across industries, enhancing India’s competitiveness in the global AI ecosystem.

2. Policy reforms (4/5)

- **Skilling and Workforce Development:** The budget allocates ₹575 crore towards skilling initiatives, a strategic move to address the growing talent gap in the Electronics System Design and Manufacturing (ESDM) sector. This investment will equip professionals with the expertise required for advanced manufacturing, semiconductor design, and R&D, ensuring a robust pipeline of skilled talent.

- **Startups and MSME Support**: The budget reinforces India's startup ecosystem with initiatives such as the **5-year incorporation benefit** and the **Fund of Funds scheme (INR 10,000 crore)**, providing crucial financial and structural support. These measures will encourage innovation and entrepreneurship, particularly in the Electronics System Design and Manufacturing (ESDM) sector, fostering the growth of cutting-edge startups.

- **Semiconductor and Display Manufacturing**: The budget earmarks ₹7,000 crore to bolster semiconductor and display manufacturing, continuing incentives under the Production-Linked Incentive (PLI) scheme and other strategic initiatives. This investment aims to enhance India's semiconductor ecosystem, fostering domestic chip production and reducing dependence on imports.

- Additionally, the reduction in Basic Customs Duty (BCD) on display panels and lithium-ion batteries will significantly boost local value addition in key sectors such as electric vehicles (EVs), mobile manufacturing, and IT hardware.

2. Policy reforms (5/5)

- **Financial services sector:** The FDI limit in the insurance sector is set to increase from 74% to 100%, subject to the condition that insurers invest their entire premium in India. Additionally, existing FDI guardrails and regulatory conditions will be reviewed and simplified to attract more global investment while ensuring domestic capital deployment.
- A revamped Central KYC Registry is scheduled for rollout in 2025, streamlining customer verification and reducing compliance burdens for financial institutions and investors.
- A dedicated forum will be established to enhance regulatory coordination and facilitate the development of new pension products, strengthening India's long-term savings and retirement planning ecosystem.
- **New Income Tax Bill:** A new Income Tax Bill will be tabled next week, aimed at reducing legal complexities and making tax laws simpler and easier to understand for taxpayers.
- **IFSC/GIFT City Incentives:** To enhance the attractiveness of IFSC/GIFT City, new measures will be introduced to improve the ease of doing business, making it a more competitive global financial hub.
- **Tax Compliance Simplification:** The budget also focuses on rationalizing TDS/TCS provisions, reducing compliance burdens for businesses and individuals.
- **Decriminalization of Tax Provisions:** More tax-related provisions have been identified for decriminalization, fostering a business-friendly regulatory environment and encouraging compliance without fear of excessive penalties.

TAXATION REFORMS

UNION BUDGET 2025

3. Taxation Reforms (1/10)

A. Direct Tax Reforms

- **Personal Tax (1/2)**
- The Union Budget 2025-26 introduces significant changes to the income tax structure under the new tax regime, providing substantial relief to taxpayers. Below is a summary of the proposed tax slabs:

Annual income	Tax rate %
0 – 4,00,000	Nil
4,00,000 - 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

- **Tax Exemption:** No income tax is payable on annual income up to ₹12,00,000 under the new tax regime.

3. Taxation Reforms (2/10)

- **Standard Deduction:** Salaried individuals are eligible for a standard deduction of ₹75,000. This means that individuals with an annual income of up to ₹12,75,000 will effectively pay no tax.
- **Rebate under Section 87A:** The rebate under Section 87A has been increased to ₹60,000 for individuals with income up to ₹12,00,000.
- **Self-Occupied Property (SOP) Declaration:** Taxpayers can now declare any two houses as self-occupied properties without any conditions. The annual value of these two properties will be considered nil, resulting in no tax liability for these properties.
- **Extension of Time Limit for Filing Updated Income Tax Returns: T**he government has extended the time frame for filing updated income tax returns (ITR-U) from the current 24 months to 48 months from the end of the relevant assessment year with additional tax liability.

Timelines from end of relevant assessment year	Additional tax and interest
Within 12 months	25%
12 to 24 months	50%
24 to 36 months	60%
36 to 48 months	70%

3. Taxation Reforms (3/10)

➢ **Increased TCS Threshold for Foreign Remittances**

- **Increased Threshold:** Remittances up to ₹10 lakh in a financial year will now be exempt from TCS, providing additional liquidity for individuals making foreign transfers. Tax treaty benefits to be available to Foreign Portfolio Investors (FPI).
- **Educational Remittances:** The budget proposes removing TCS on remittances for educational purposes when funded through loans from specified financial institutions, reducing the financial burden on students studying abroad.

➢ **Presumptive Taxation for Non-Residents in Electronics Manufacturing**

- **Deemed Profit Rate**: Under this regime, 25% of the total payments received or receivable by the non-resident for providing such services or technology will be deemed as profits and gains from business.

➢ **Extension of Tonnage Tax Scheme to Inland Vessels:** The definition of "qualifying ship" under Section 115VD of the Income-tax Act will be amended to encompass inland vessels, making them eligible for the TTS benefits.

➢ **Expanding definition of capital asset:** Definition of capital asset has been expanded to include securities held by an Investment fund (i.e. Category I and Category II AIFs) in accordance with SEBI regulations to provide certainty that income will be taxed as Capital Gain and not business income

➢ **Capital gains for FPIs:** Long-term capital gains tax rate for FPIs rationalised from 10% to 12.5% on transfer of any security.

3. Taxation Reforms (4/10)

- **Tax Exemptions for Sovereign Wealth Funds, Pension Funds, and Specified Persons:**
- **Extension of Investment Deadline**: The deadline for eligible investments by SWFs and PFs has been extended from March 31, 2025, to March 31, 2030. This extension provides a stable timeframe for global investors to contribute substantially to India's infrastructure development.
- **Clarification on Capital Gains Taxation**: The budget addresses concerns arising from the Finance (No. 2) Act, 2024, which reclassified all capital gains from unlisted debt securities as short-term, potentially impacting tax exemptions for SWFs and PFs. The current amendment clarifies that long-term capital gains, even if deemed short-term under Section 50AA, will continue to qualify for exemptions under Section 10(23FE). This ensures that the intended tax benefits for long-term investors in unlisted debt instruments remain intact.

- **Rationalization of Carry Forward of Losses in Amalgamation**
- **Limitation on Loss Carry Forward:** For amalgamations or business reorganizations effected on or after April 1, 2025, the successor entity can carry forward the accumulated losses of the predecessor entity for a maximum of eight assessment years from the year in which the loss was first computed by the original predecessor entity.
- **Definition of Original Predecessor Entity:** The term "original predecessor entity" refers to the entity in the first instance of amalgamation or reorganization, ensuring clarity in the application of the loss carry forward provisions.

- **Relief for start-ups:** Sunset date for incorporating start-ups to claim profit-linked tax exemption extended from 31 March 2025 to31 March 2030.

3. Taxation Reforms (5/10)

- **Harmonization of Significant Economic Presence (SEP) Provisions:**
- Budget 2025 proposes amendments to Section 9 of the Income-tax Act to clarify the scope of "Significant Economic Presence" (SEP) for non-residents. The key change ensures that transactions confined to the purchase of goods in India for the purpose of export do not constitute a SEP, thereby not establishing a "business connection" in India. This aligns SEP provisions with existing business connection rules, providing clarity and preventing unintended tax implications for non-residents engaged solely in export-related purchases. This amendment is set to take effect from April 1, 2026, applicable for the assessment year 2026-27 and subsequent years.
- **Removal of higher TDS/ TCS for non-filers of return of income:** Currently, TDS and TCS apply at higher rates when the deductee/ collectee is a non-filer of return of income, It is proposed that provisions relating to higher TDS and TCS in such situations shall be omitted, This amendment is effective from 1 April 2025
- **Introduction of Three-Year Block Assessment for Transfer Pricing:** Budget 2025, the government has proposed a significant change to the transfer pricing (TP) assessment process by introducing an optional block assessment mechanism covering a period of three financial years. This initiative aims to streamline TP audits, reduce compliance burdens, and align with international best practices.
- **Expansion of Safe Harbour Rules:** Budget 2025 proposes an expansion of the Safe Harbour Rules (SHR) to enhance tax certainty and minimize litigation in international taxation. This initiative aims to simplify transfer pricing regulations and provide clearer guidelines for taxpayers engaged in cross-border transactions.

3. Taxation Reforms (6/10)

- **Rationalization of TDS Provisions:** Budget 2025 has proposed significant changes to the Tax Deducted at Source (TDS) provisions to simplify tax compliance and reduce the burden on taxpayers. Below is a summary of the proposed revisions:

Section	Nature of Payment	Current TDS Threshold (₹)	Proposed TDS Threshold (₹)
193	Interest on securities	Nil	10,000
194A	Interest other than interest on securities	(i) 50,000 for senior citizens (ii) 40,000 for others (banks, co-op societies, post office) (iii) 5,000 in other cases	(i) 1,00,000 for senior citizens (ii) 50,000 for others (banks, co-op societies, post office) (iii) 10,000 in other cases
194	Dividend for individual shareholders	5,000	10,000
194K	Income in respect of units of mutual fund or specified company	5,000	10,000
194B	Winnings from lottery, crossword puzzle, etc.	Aggregate exceeding 10,000 during the financial year	10,000 per transaction
194BB	Winnings from horse race		
194D	Insurance commission	15,000	20,000
194G	Commission, prize, etc., on lottery tickets		
194H	Commission or brokerage		

3. Taxation Reforms (7/10)

➢ **Rationalization of TDS Provisions (C/f)**

Section	Nature of Payment	Current TDS Threshold (₹)	Proposed TDS Threshold (₹)
194-I	Rent	2,40,000 per financial year	50,000 per month or part thereof
194J	Fee for professional or technical services	30,000	50,000
194LA	Compensation on acquisition of certain immovable property	2,50,000	5,00,000
206C(1G)	Remittance under Liberalized Remittance Scheme (LRS) and overseas tour program package	7,00,000	10,00,000

3. Taxation Reforms (8/10)
B. Indirect Taxation Reforms

- **Retrospective Amendment to Section 17(5)(d):** Change in Terminology: The term "plant or machinery" in Section 17(5)(d) of the CGST Act is proposed to be replaced with "plant and machinery," effective retrospectively from July 1, 2017.
- **Introduction of Enabling Provisions for the Invoice Management System (IMS):**
  - **Legal Framework Establishment:** The proposed amendments seek to establish a legal foundation for the IMS within the GST law, detailing its scope, functionalities, and the obligations of taxpayers and tax authorities.
  - **Implementation Timeline:** The specific date for the implementation of these provisions will be notified by the government in due course.
- **Introduction of 'Track and Trace Mechanism':**
  - **Unique Identification Marking (UIM)**: The mechanism introduces the concept of UIM, defined as a digital stamp, digital mark, or any other unique, secure, and non-removable marking.
  - **Legislative Amendments**: A new clause has been inserted to define UIM, and Section 148A has been added to enable the Track and Trace Mechanism for specified commodities. Additionally, Section 122B introduces penalties for non-compliance with these provisions.
- Time of supply of vouchers (both specific and general purpose) to be the date of redemption of voucher
- Requirement of 20% pre-deposit now extended to appeals against orders levying only penalty
- Retrospective amendment in Schedule III clarifying supply of goods warehoused in SEZ/ FTWZ as ‘no supply’
- Definition of ‘Local fund’ and ‘Municipal fund’ introduced to clarify scope of ‘Local authority’

3. Taxation Reforms (9/10)

- **Legislative and Procedural Changes Proposed in the Finance Bill 2025**
- **Time Limit for Finalization of Provisional Assessments**
- **Voluntary Revision of Import/Export Documents Post-Clearance**
- **Replacement of Settlement Commission with Interim Board:** Pending applications before the Settlement Commission as of March 31, 2025, will be transferred to the Interim Board for resolution.
- **Relaxations under the Import of Goods at Concessional Rate of Duty (IGCR) Scheme:** The frequency of return filings under the IGCR scheme has been changed from monthly to quarterly, simplifying compliance requirements for importers.

- **Reduction in Basic Customs Duty to Support Domestic Manufacturing:** Budget 2025 has introduced reductions in Basic Customs Duty (BCD) on specific goods to bolster domestic manufacturing and value addition.
- Critical minerals
- Textile products
- Electronic goods
- Capital goods for EV battery and mobile phone battery manufacturing

- **Rationalization of Tariff Structure** : Budget 2025 introduces significant reforms to India's customs tariff structure, effective from February 2, 2025.

3. Taxation Reforms (10/10)

- **Reduction of Tariff Rates:** The number of customs tariff rates has been streamlined from 22 to 8, including the zero rate, over the last two budgets. This simplification is designed to make the tariff structure more transparent and easier to navigate for businesses.

- **Adjustment of Basic Customs Duty (BCD):** BCD has been reduced for specific goods to encourage domestic value addition and manufacturing. For instance, the BCD on certain electronic components has been lowered to support the electronics industry.

- **Levy of Agriculture Infrastructure and Development Cess:** To maintain the same effective rate of tax after reducing BCD, the government has levied or increased the AIDC on certain items. This approach ensures that while the BCD reduction supports domestic industries, the overall tax revenue remains stable.

- **Limitation of Cess and Surcharge:** Goods imported into India will now attract no more than one cess or surcharge. This move simplifies the tax structure and reduces the compliance burden on importers.

- **Exemption of Social Welfare Surcharge: The budget proposes to exempt SWS on 82 tariff line items, further reducing the tax burden on specific imports and promoting trade facilitation**

About Us

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