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132 MINUTES



BUDGET 2025



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PUNE

106, Mayfair Tower I,
Wakdewadi, Pune – 411005, India

[Google Maps](#)

7, Kunal Puram Commercial Complex,
Opp Atlas Copco, Old Mumbai – Pune Highway,
Dapodi, Pune – 411012, India

[Google Maps](#)

MUMBAI

904, 9th Floor, Bhumiraj Costarica,
Off Palm Beach Road, Sector 18, Sanpada,
Navi Mumbai – 400705, India

[Google Maps](#)

Email: info@greenvissage.com

Call: +91 20 6764 0900

Rebate

No upsets in tax laws

TDS Rates

Exports

MSMEs

No widening of taxbase

Green initiatives

Unemployment

New tax regime ↑

Customs Duties

IFSCs

9.5 /10

Asset Monetization

MSME Payments

Education

Previous budget = 6.0 (3.5 ↑)

“Extra marks, for extra rebate”

Capital expenditure

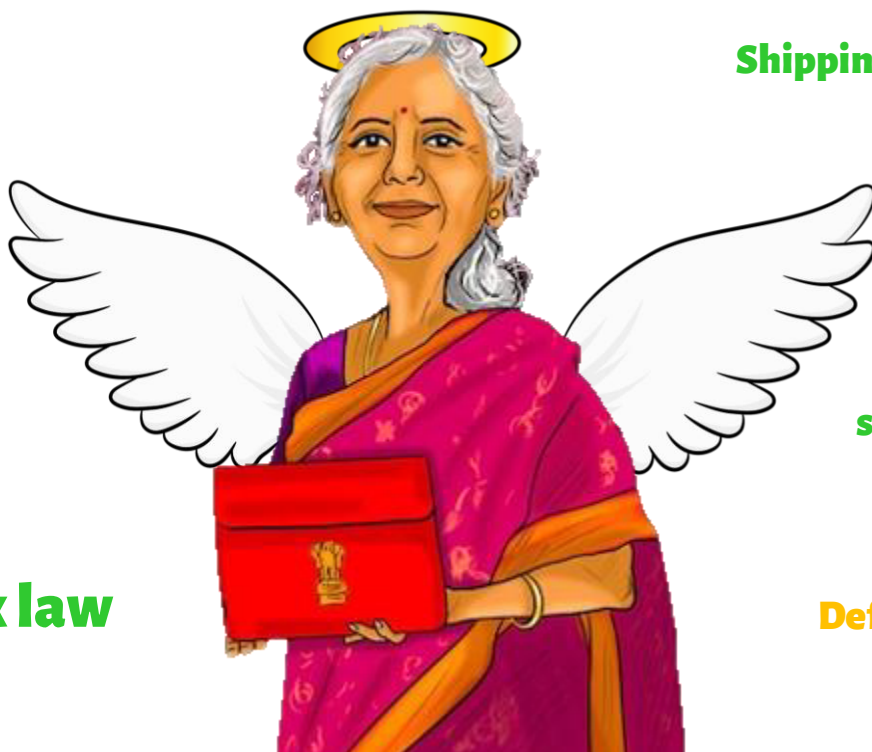
Shipping

Bihar!

Only simplification

New tax law

Defence



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ECONOMIC SURVEY

STATE OF INDIAN ECONOMY
UPDATES FROM FY 2025



EDITORIAL KEYNOTE

Every year the finance minister presents the budget of the country in the Lok Sabha. Budget explains how the government is planning to collect taxes or earn through other sources and how the government is going to spend the same. Governments in developing countries, usually spend more than the earnings by borrowing funds from market or other countries, as higher spending means better public infrastructure and other schemes for developments in the country. The budget papers contain details about how the government performed in past years, its estimate for ongoing year and budgets for next year. During budget speech, the finance minister talks about the highlights of his budget explaining the key developments that the Government intends to bring, the expected deficit as a result of spending and sources of borrowing and the changes in the tax structures and legal provisions to implement the budget.



Trolls? Who Trolls? What Trolls! (Mic drop)

Backdrop

The countdown to Budget 2025 had the nation on edge, with some of us more anxious than a cat in a room full of rocking chairs. The atmosphere was electric, with everyone from Wall Street analysts to Uncles on WhatsApp groups making predictions about what the Finance Minister would pull out of her magic hat. Would it be tax relief? More freebies for the masses? Or, God forbid, a bombshell that would send the middle class scrambling for their calculators (or worse, their tax consultants). The memes were flying, the trolls were out in full force, and the Finance Minister—bless her heart—was starting to look like the villain in a blockbuster movie. "High taxes," they said. "Middle class always gets the short end of the stick," they cried. And of course, "Who's funding the freebies?" echoed across the social media landscape like a broken record.

The suspense was almost as high as the stock market volatility in the weeks leading up to the presentation. Sectors like defence, manufacturing, and renewables had the stock market on edge—imagine them as kids waiting for a birthday present, unsure if it would be a shiny new toy or a pair of socks. Everyone was watching, waiting to see if the allocation fairy would bless them with the right amount of capital expenditure. You could practically hear the collective sigh of relief when the announcements started rolling out, as the public anxiously checked their bank accounts and the stock market held its breath. Between the defensive moves, the push for Make in India, and the desire to show off a bit of green energy swagger, there was one key question in the air: Can the FM balance the books while keeping everyone happy? Or would this budget turn into a giant "Whoops!" moment?

But little did they know, the budget wasn't just about numbers and tax slabs—it was about playing the ultimate political game. With the Delhi elections looming just two days after the Budget presentation, the government was eyeing its golden ticket to the victory party. Talk about timing, right? The budget wasn't just about a few lucky sectors, but rather about sending a message—a message to the voters that the government understood the pulse of the nation. If this budget could win the hearts of voters, it might just be the jackpot they were hoping for. Spoiler alert: It wasn't just about getting the budget right—it was about ensuring the government stayed in the game. Because in the world of politics, every rupee counts... especially when you're desperate to win a big election.

But, in the end, Nirmala Sitharaman did manage to put everything and everyone behind, with a Mic Drop moment, and trolls are now busy updating their resume – Do you have any job openings for them?

Alright, it's time to dissect Budget 2025 like a particularly stubborn onion. Some layers are sweet, some are pungent, and some just make you cry. We are going to be unfiltered and to the point here. You can read more in the following pages about all the So let's dive straight in, shall we?

Agriculture – From Dhan-Dhaanya to Drama

- ✓ The PM Dhan-Dhaanya Krishi Yojana sounds lovely, like a Bollywood musical about bountiful harvests. Improving low-yield districts is crucial, but 1.7 crore farmers? That's a lot of folks to please. Will this scheme reach the most vulnerable, or will it get bogged down in bureaucratic red tape like a tractor in a monsoon? Color us cautiously optimistic.
- ✓ Aatmanirbharta in Pulses? Great! We need to be self-sufficient. But guaranteeing procurement for only four years? What happens after that? Are farmers supposed to magically become competitive in the global market overnight? It feels like a temporary fix, not a long-term solution.
- ✓ Makhana Board in Bihar – now that's niche! We are picturing bureaucrats drowning in a sea of popped lotus seeds. But hey, if it helps farmers, we are all for it. Just hope it doesn't become another white elephant.
- ✓ Kisan Credit Card limit increase – finally! Farmers need access to credit, and INR 5 lakh is a more realistic figure. But will banks lend to small farmers? Or will they prioritize the big guys as usual?
- ✓ India Post as a catalyst for rural businesses? Intriguing. They have the network, but do they have the expertise? Let's hope they don't become just another layer of bureaucracy.



MSMEs – A Sprinkle of Hope, a Dash of Disappointment

- ✓ Revised MSME classification – about time! These businesses are the backbone of our economy. But simply raising the limits isn't enough. They need access to technology, skilled labour, and a level playing field.
- ✓ Enhanced credit availability – music to my ears! But the devil is in the details. Will banks lend to MSMEs without demanding exorbitant collateral? And what about the mountain of paperwork?
- ✓ Micro Enterprises Credit Card – another potentially good idea. But is INR 5 lakh limit? That might not be enough for some businesses. And 10 lakh cards in the first year? Ambitious, to say the least.
- ✓ Fund of Funds for Startups – yay! Startups are where the innovation happens. But INR 10,000 crore? That's a drop in the ocean compared to what they need.
- ✓ Footwear & Leather, Toy Industry Development – targeted initiatives are good, but they need to be part of a larger strategy for manufacturing. Just throwing money at specific sectors won't magically create jobs.

Investment – Infrastructure, Initiatives, and... Acronyms Galore!

- ✓ Atal Tinkering Labs – fantastic! We need to nurture young minds. But 50,000 labs? That's a lot to manage. Let's hope they're well-equipped and staffed.
- ✓ Broadband connectivity – is essential! But BharatNet has been a slow and painful saga. Let's hope this time it delivers.
- ✓ IITs, Medical Education – more seats are always welcome. But we also need to improve the quality of education. Just churning out graduates isn't enough. And it is not going to happen if you reduce the Education Budget from ~3% to ~1.5% in a decade.
- ✓ Healthcare, Urban Development – cancer care centres, PM SVANidhi expansion – all good initiatives. But the execution is key.
- ✓ Gig worker social security – finally! These folks are the unsung heroes of the digital economy. But what about platform accountability? They need protection from exploitative practices.
- ✓ PPP – a double-edged sword. It can be a great way to finance infrastructure, but it can also lead to cronyism and corruption. Transparency is crucial.
- ✓ Jal Jeevan Mission extension – tap water for all by 2028? Ambitious, but achievable if done right. Water is life!
- ✓ Urban Challenge Fund – a good idea, but states need to be on board. And they need to be smart about how they raise the remaining funds. No more debt-fueled development, please.
- ✓ Power sector reforms – much needed! But will states implement them? They have a history of resisting change.
- ✓ Nuclear Energy Mission – 100 GW by 2047? Bold! However, we need to address safety concerns and waste disposal.
- ✓ Shipbuilding, and Maritime Development – boosting these sectors is crucial for our economy. But we need to be competitive globally.
- ✓ UDAN expansion – more connectivity is good, but let's focus on making existing airports efficient first.

Exports – From a Mission to a Maybe

- ✓ Export Promotion Mission – setting targets is easy, but achieving them is hard. We need to address the structural bottlenecks that are hindering our exports.
- ✓ MSME export support – again, good in theory, but will it translate into increased exports?
- ✓ BharatTradeNet – streamlining trade is crucial. But will it be user-friendly? And will it reduce the bureaucratic hurdles that exporters face?
- ✓ Global supply chain integration – a buzzword that's thrown around a lot. But how do we achieve it? We need a clear strategy and targeted incentives.
- ✓ GCCs – attracting these centres is good for job creation. But we need to create a talent pool that meets their needs.



Reforms – The Fuel for Growth with a Pinch of Salt

- ✓ Trust-based tax system – sounds utopian. But will it work in practice? We need to address the trust deficit between taxpayers and the government.
- ✓ FDI in insurance – more foreign investment is good, but we need to ensure that it benefits the Indian economy.
- ✓ India Post Payment Bank expansion – great for financial inclusion. But they need to improve their services and infrastructure.
- ✓ Grameen Credit Score Framework – a good idea, but will it reach the most vulnerable borrowers?
- ✓ Central KYC Registry – simplifying KYC is essential. But we also need to protect people's privacy.
- ✓ Jan Vishwas Bill 2.0 – decriminalizing minor offences is a welcome move. But we need to address the root causes of non-compliance.

Taxing Odyssey – Some Hits, Some Misses, and a Whole Lotta Tweaking!

Alright, buckle up, taxpayers, because the Budget 2025 income tax changes are here, and it's a wild ride. From rejigged tax slabs to crypto-asset chatter, there's a lot to unpack. Let's dive in, shall we?

- ✓ The government is clearly a 'Team New Tax Regime'. They've given it a serious glow-up, making it so tempting that even the most deduction-loving taxpayer might consider switching sides. Lower tax rates, a juicier Section 87A rebate – it's like they're whispering sweet nothings in our ears. But hold on a second. While the new regime looks shiny and new, it's still a trade-off. Ditching those deductions is a big deal, and whether it's truly beneficial depends entirely on your finances. It's like choosing between a flashy sports car and a reliable SUV – both have their perks, but it depends on what you need.
- ✓ The increased Section 87A rebate is a definite win, though. More money in our pockets is always a good thing. But let's be real, this is mainly targeted to lower and middle-income individuals. While this is beneficial to many, the higher-income groups are still left to wonder, "What about us?"
- ✓ Giving taxpayers more time to file updated returns is generous, we feel. But slapping on higher penalties for late filings? That's like saying, "We're giving you a second chance, but you're gonna pay for it." It feels like a veiled attempt to increase tax collection, disguised as a taxpayer-friendly policy.
- ✓ Revising the perquisite calculation threshold is long overdue. That INR 50,000 limit was ancient. But we need to see the actual rules before we can celebrate. It could be a game-changer or just a minor tweak.
- ✓ Extending NPS benefits to Vatsalya accounts for minors is a smart move. It encourages long-term savings for kids, which is always a good idea.
- ✓ The NSS withdrawal changes are a direct consequence of the interest rate changes. It's more of a technical adjustment than a policy initiative.
- ✓ Broadening the definition of "self-occupied property" is a welcome change. It gives homeowners a bit more flexibility. But let's not pretend it's a revolutionary move.
- ✓ Extending tax benefits for startups is a no-brainer. These businesses are the engine of innovation, and they need all the support they can get.
- ✓ The changes to carry forward losses in case of amalgamation are aimed at preventing tax loopholes, which is fair enough.
- ✓ The multi-year arm's length price determination is a breath of fresh air for businesses dealing with international transactions. It simplifies compliance and reduces the administrative burden. Finally, some relief for businesses!
- ✓ The ULIP changes are meant to clarify the tax treatment, but they add another layer of complexity to an already confusing product.
- ✓ Clarifying the tax treatment of investment funds is good for the industry, but it's not something that will affect most individual taxpayers.
- ✓ Aligning the long-term capital gains tax rate for non-residents with residents makes sense. It's about fairness and consistency.
- ✓ Crypto-asset reporting requirements are a clear indication that the government is taking crypto seriously. Regulation is coming, folks.



- ✓ Omitting Section 206C(1H) and the higher TDS/TCS for non-filers is a much-needed simplification. It reduces the compliance burden for businesses and individuals. Hallelujah!
- ✓ Raising the TDS thresholds is another welcome change. It means less TDS deducted on smaller payments, which improves cash flow.
- ✓ Defining "forest produce" for TCS purposes is a good example of clarifying ambiguous language in the tax law.
- ✓ Providing relief from prosecution for delayed TCS payments under certain conditions is a sensible move.
- ✓ The changes to block assessment, penalties, search and seizure, and other assessment-related provisions are mostly technical adjustments. They're important for tax administration, but they're not something that will directly impact most taxpayers.
- ✓ The changes related to the tonnage tax scheme, IFSCs, and non-residents are targeted at specific industries and groups. They're important for promoting these sectors, but they're not relevant to the average taxpayer.

A Symphony of Tweaks, Some Harmonious, Others Discordant

The Budget 2025 indirect tax amendments are a mixed bag, to say the least. It's like a jazz concert – some parts are smooth and groovy, while others are just... well, let's just say they need a bit more practice. Let's dissect this musical piece, shall we?

- ✓ Replacing "plant or machinery" with "plant and machinery" is a classic example of bureaucratic overreach. The Supreme Court ruled in favour of common sense (and taxpayers) in the Safari Retreats case, and the government's response is to change the law retrospectively. Talk about a power move! It's like they're saying, "We don't like your interpretation, so we're changing the rules of the game." This sends a chilling message to businesses and undermines the authority of the judiciary. Sure, clarity is important, but not at the expense of fairness and legal precedent.
- ✓ Track and trace technology sounds fancy, but it also sounds expensive and cumbersome. While it might help curb tax evasion for certain goods, it's going to add another layer of compliance burden for businesses. And let's be honest, how effective will it be? Will it just lead to more paperwork and headaches? The penalty for non-compliance is hefty, which suggests the government is serious about this. However, they need to ensure that the implementation is smooth and doesn't create more problems than it solves.
- ✓ Requiring recipients to reverse ITC before suppliers can adjust their liability is a classic case of "fixing" something that wasn't broken. It adds unnecessary complexity to the credit note process. While automating GSTR-3B and using the IMS might streamline things, it still feels like a bureaucratic dance – lots of steps and procedures just to get things done.
- ✓ Making the IMS mandatory for ITC reconciliation is a double-edged sword. It can improve transparency and reduce errors, but it also puts more pressure on businesses to ensure accurate and timely reporting. The devil, as always, is in the details. How user-friendly will the IMS be? Will it be able to handle the volume of transactions? And what happens when there are technical glitches?
- ✓ Linking GSTR-3B filing to tax payment and imposing restrictions on GSTR-1 filing is a classic example of using a sledgehammer to crack a nut. While it might encourage timely filing, it also penalizes businesses for genuine errors or delays. And the time limit for belated GSTR-1 filings? Three years? That's a long time!
- ✓ Reducing the pre-deposit for appeals is a welcome move, especially for penalties. But 10% is still a significant amount, especially for small businesses. It would have been better to reduce it further, or even waive it altogether in certain cases.
- ✓ Clarifying the tax treatment of goods warehoused in SEZs and FTWZs is good news. But is it retrospective and stating that no refunds will be provided? That's just rubbing salt in the wound. It feels like a classic case of the government having its cake and eating it too.
- ✓ Allowing ISD to distribute ITC for inter-state supplies under reverse charge is a sensible move. It simplifies the process and reduces the compliance burden. Finally, something that makes sense!
- ✓ Omitting the time of supply provisions for vouchers is a logical step. Vouchers are neither goods nor services, so they shouldn't be subject to GST in the first place. It's like saying, "We were confused about this, so we're just going to pretend it doesn't exist."
- ✓ Slapping a two-year deadline (plus one more if you're really slow) on finalizing provisional assessments is a much-needed kick in the pants for the customs department. No more endless limbo for importers! It's about time they were held accountable for timely investigations. This change is a win for businesses tired of bureaucratic delays.



- ✓ Allowing voluntary revisions to entries is a clever move. It empowers businesses to correct their own mistakes, which is good for efficiency. But the fact that the proper officer still gets to double-check everything (especially if it's flagged as risky) suggests a lingering distrust. It's like saying, "We'll let you fix it, but we're still watching you." And excluding certain situations from this provision? Well, that's just typical bureaucracy.
- ✓ Clarifying the timeline for refunds and recoveries related to voluntary revisions is a necessary step. It avoids confusion and ensures consistency. But it's not exactly groundbreaking stuff.
- ✓ Replacing the Settlement Commission with an Interim Board? Sounds like a classic case of rearranging the deck chairs on the Titanic. Will it improve anything? Or will it just be a new set of faces doing the same old thing? We'll have to wait and see.
- ✓ Extending the utilization period for imported goods is a sensible move. It gives manufacturers more flexibility. And switching to quarterly statements instead of monthly ones? That's a definite win for reducing the compliance burden.
- ✓ Exemptions on Life-Saving Drugs and PAPs - This is fantastic news. Making essential medicines more affordable is a moral imperative. Kudos to the government for this.
- ✓ Lesser duties on EV and Mobile Phone Batteries - Promoting domestic manufacturing of these crucial components is a smart move for the long term.
- ✓ Duty changes on some Critical Minerals secure a stable supply chain for critical minerals is essential for our industries. Exemptions are a good way to achieve this.
- ✓ Textiles, Leather, Electronics, Shipbuilding, Telecom, Handicrafts, Seafood, MRO – Targeted duty reductions and exemptions for specific industries. Some are sensible, some feel a bit arbitrary. It's hard to judge the overall impact as of now.

India's "Fast Lane" is More Like a Bumpy Ride with Speed Bumps

The Economic Survey 2025 paints a rosy picture of India "getting back into the fast lane." But let's be real, it's more like navigating a crowded highway with occasional bursts of speed and a lot of traffic jams. While there are some genuinely positive developments, there are also some glaring potholes and questionable detours. Projecting 6.3-6.8% GDP growth for FY26 is optimistic, to say the least. While India's economy has shown resilience, global uncertainties are a real threat. The IMF's slightly lower projection suggests a dose of realism. The survey downplays the impact of geopolitical tensions, particularly the ongoing conflicts and trade disruptions. "Friend-shoring" and "near-shoring" sound nice, but they're not magic bullets. And let's not forget the ever-present threat of climate change, which could wreak havoc on our agricultural sector. Agriculture's projected growth is commendable, but let's not get complacent. Our dependence on monsoons and vulnerability to climate change remains a major concern. The industrial sector's slowdown is worrying. While the survey mentions "weak global demand," it conveniently ignores other structural issues that plague our manufacturing sector. The services sector continues to be the star performer, but it's not a sustainable growth engine on its own. We need a more balanced approach. The widening trade deficit is a red flag. While strong services exports and remittances are helpful, they can't mask the fact that our merchandise exports are struggling. We need to address the competitiveness challenges facing our manufacturing sector if we want to close this gap.

The improvement in asset quality of banks is a positive sign. But let's not forget the mountain of bad loans that got us here. Financial inclusion efforts are commendable, but access to banking services is just the first step. We need to ensure that people can use these services effectively. The RBI's monetary policy stance is a balancing act, but it's not without its risks. DFIs playing a pivotal role in infrastructure financing is a recurring theme. But are they truly independent? Or are they just an extension of the government's borrowing program? We need greater transparency and accountability in infrastructure financing. The National Infrastructure Pipeline and National Monetisation Pipeline are ambitious, but implementation has been slow and riddled with challenges. We need to move beyond announcements and focus on actual execution. The progress in railways, highways, and ports is commendable, but we need to address the last-mile connectivity issues that continue to plague our logistics sector. The growth in renewable energy capacity is a positive development, but we can't ignore the fact that coal still dominates our energy mix. We need a more aggressive push towards cleaner energy sources if we want to meet our climate commitments. The rural development programs are well-intentioned, but their impact is often limited by implementation challenges and leakages. We need a greater focus on empowering local communities and ensuring that the benefits reach the most vulnerable.



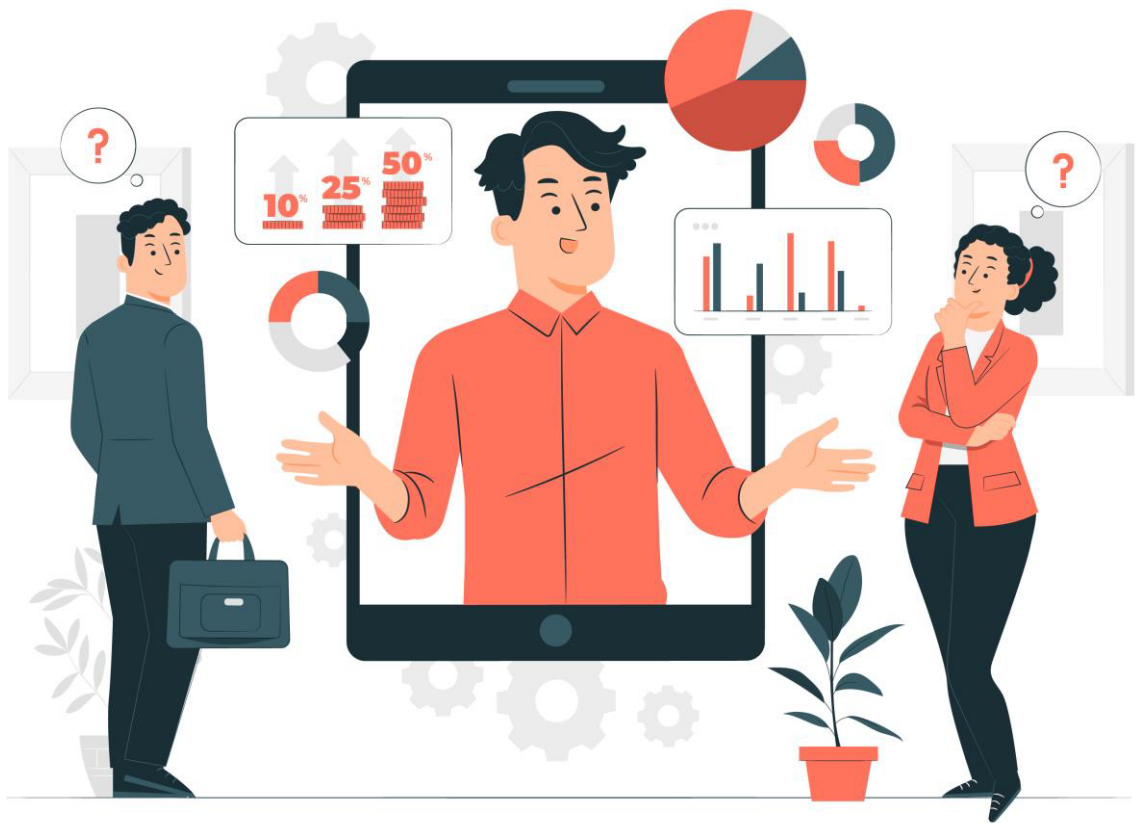
India's achievements in space are a source of national pride. But let's not get carried away. We still have a long way to go in terms of translating these technological advancements into tangible benefits for our citizens. The industrial sector's growth is lacklustre, despite the government's efforts. "Smart Manufacturing" and "Industry 4.0" sound great, but they haven't translated into significant job creation or export growth. The MSME sector continues to struggle, despite various government initiatives. The services sector continues to be the bright spot in our economy, but its growth is heavily reliant on the IT sector. We need to diversify our services sector and promote growth in other areas, such as tourism and healthcare. Despite the growth in agricultural production, farmers continue to face numerous challenges, including low incomes, indebtedness, and climate vulnerability. Food inflation remains a major concern, and we need to strengthen our food security systems. India's commitment to climate action is commendable, but we need to walk the talk. We need to move beyond targets and focus on concrete actions to reduce our emissions and adapt to climate change. The LiFE initiative is a good start, but it needs to be scaled up and implemented effectively.

The Verdict

Alright, folks, the grand verdict on Budget 2025 and the accompanying Economic Survey is in! Drumroll, please... It's a mixed bag, a bag of policy tweaks, some shiny, some dull, and a few that smell a bit...off. Think of it as a Bollywood movie – a bit of romance (tax rebates), a dash of drama (retrospective amendments), a sprinkle of action (infrastructure spending), and a whole lot of song and dance (GDP projections). The Economic Survey paints a picture of a nation sprinting towards development, but it conveniently skips over the potholes and detours. It's like watching a travelogue where they only show the scenic spots and ignore the traffic jams. While there are genuine areas of progress, particularly in renewable energy and financial inclusion, there are also some glaring weaknesses, like the struggling manufacturing sector and the widening trade deficit. The budget itself is a mix of sensible moves and questionable choices.

Some tax changes are genuinely helpful, while others are just rearranging the deck chairs. The customs duty cuts are a duty-free bonanza for some industries, but they raise questions about long-term economic strategy. And the GST amendments? Well, let's just say they're a complex dance that only a tax professional could truly appreciate. Overall, it feels like a budget designed to please everyone a little bit, but not enough to truly make a difference. It's a collection of tweaks and adjustments, rather than a bold vision for the future. It's like trying to fix a leaky roof with a band-aid – it might hold for a while, but eventually, you're going to need a real solution. So, the final verdict? Budget 2025 and the Economic Survey 2025 are a bit like a mixed metaphor – a bumpy ride in the fast lane, with occasional speed bumps and a duty-free pit stop. It's a work in progress, a story still being written. And whether it has a happy ending remains to be seen.

But here's the kicker, the reason we're giving this budget a solid 9.5 out of 10 - tax cuts, folks! Let's be honest, all those grand infrastructure projects, ambitious targets, and regulatory changes are just promises for the future. They might or might not materialize. But the tax savings? Those are real and tangible, and they hit your wallet right now. You can practically hear the extra cash jingling in your pocket. In the end, that's what truly matters. It's like getting a surprise bonus at work – you might not care about the company's long-term strategy, but that extra cash is going straight into your savings account (or, let's be real, that impulse purchase you've been eyeing). And let's be clear, we're not just talking about chump change here. These tax cuts, especially the revamped new regime and the juicier Section 87A rebate, could mean significant savings for a lot of folks. It's like finally finding a coupon code that works – you might not understand the fine print, but you're happy to pay less. So, while the bigger picture might be a bit fuzzy, the tax cuts are crystal clear. They're the one concrete thing in this whole budget that you can bank on (pun intended!). That's why, despite all the uncertainties and question marks, we're giving this budget a thumbs-up. Because in the end, a penny saved is a penny earned, and these tax cuts are earning us some pennies.



POLICY PROPOSALS

The prime focus of entire budget presentation is announcing schemes and missions that the government will be undertaking in the upcoming year. The entire budget is prepared accordingly while allocating the requisite amount to departments and missions. Although most people focus on the tax proposals, smart businesspeople focus on these announcements. This is because when government policy decides to spend on a particular project or subsidize or support any segment, there are business opportunities that emerge and the economic activity in the market is affected as a result of the same. This also reflects in the stock prices of segments / companies trading on the stock markets. A good study of the annual budget announcements can help you in many ways – a) Capture new upcoming opportunities created by the Government, b) Avail subsidies, grants, or concessions offered by the Government, c) Manage your finances by planning taxes and expenditure, d) Understanding impact on the economy, the industry and your business, or your employer's business, e) Making long term investment decisions based on sectors being focussed on, economic factors and tax implications of investment



Budget 2025 focused on accelerating economic growth, ensuring inclusive development, encouraging private sector investments, strengthening household finances, and increasing the spending power of India's middle class. The government aims to realize the vision of Viksit Bharat by eradicating poverty, ensuring high-quality education and healthcare, providing meaningful employment, increasing women's economic participation, and strengthening the agricultural sector. This year's budget highlighted key areas of development, which include spurring agricultural growth, building rural prosperity, ensuring inclusive growth, boosting manufacturing, supporting MSMEs, enabling employment-led development, investing in the economy and innovation, securing energy supplies, promoting exports, and nurturing innovation. The economic strategy is based on four main engines: Agriculture, MSMEs, Investment, and Exports, with transformative reforms acting as the fuel for growth and inclusivity as the guiding principle. The ultimate goal is to create a developed and globally competitive India. The key policy announcements made in the Budget 2025 are as follows:

Engine 1 – Agriculture

- ✓ **Prime Minister Dhan-Dhaanya Krishi Yojana** - The government will launch this program to improve agricultural productivity in 100 low-yield districts. The scheme will enhance crop diversification, improve irrigation, strengthen storage facilities, and provide better credit access. The program will benefit 1.7 crore farmers across India.
- ✓ **Rural Prosperity & Resilience Programme** - A new initiative will create jobs in rural areas through skill development, investments, and technology-driven solutions.
- ✓ **Aatmanirbharta in Pulses** - A six-year national mission will focus on pulses such as Tur, Urad, and Masoor to boost production. The government will procure these pulses from registered farmers for four years to ensure stable income.
- ✓ **Vegetables & Fruits Programme** - A comprehensive scheme will be launched to improve the production and supply chain for vegetables and fruits. The program aims to ensure farmers receive fair prices while enhancing food security.
- ✓ **Makhana Board in Bihar** - A new Makhana Board will be established in Bihar to improve farming, processing, and market access. The board will provide training, and support, and organize farmers into producer organizations.
- ✓ **High-Yielding Seeds** - The mission will promote over 100 new high-yield, pest-resistant, and climate-resilient seed varieties. The initiative aims to enhance productivity and ensure long-term food security.
- ✓ **Fisheries Development** - A new fisheries framework will focus on responsible resource use, particularly in the Andaman & Nicobar and Lakshadweep Islands.
- ✓ **Cotton Productivity** - A five-year mission will promote better cotton-farming techniques and support extra-long-staple cotton varieties. The program will improve textile manufacturing and ensure steady supply chains.
- ✓ **Kisan Credit Card (KCC)** - The KCC loan limit will rise from INR 3 lakh to INR 5 lakh, benefiting 7.7 crore farmers, fishermen, and dairy workers.
- ✓ **New Urea Plant in Assam** - A new plant with a 12.7 lakh metric ton capacity will be established in Namrup, Assam, to enhance self-sufficiency in fertilizer supply.
- ✓ **India Post's Role** - India Post will be leveraged as a catalyst for rural businesses, self-help groups, and micro-entrepreneurs. India Post Payment Bank and a network of Dak Sevaks will provide financial services in remote areas.
- ✓ **National Cooperative Development Corporation (NCDC)** - Additional financial support will be provided to NCDC to improve lending operations for cooperatives.

Engine 2 – MSMEs

- ✓ **Revised MSME Classification** - Investment and turnover limits for MSMEs will be raised by 2.5 times and 2 times, respectively, allowing businesses to scale up.



- ✓ **Enhanced Credit Availability** - The government will increase the credit guarantee cover for micro and small enterprises from INR 5 crore to INR 10 crore, unlocking an additional INR 1.5 lakh crore in credit. The credit guarantee limit for startups will be raised from INR 10 crore to INR 20 crore, with a reduced guarantee fee for loans in 27 priority sectors.
- ✓ **Micro Enterprises Credit Card** - A customized credit card with an INR 5 lakh limit will be introduced, with 10 lakh cards being issued in the first year.
- ✓ **New Fund of Funds for Startups** - An additional INR 10,000 crore will be allocated to a new fund of funds to support the startup ecosystem.
- ✓ **First-Time Entrepreneur Support** - A new program will provide term loans of up to INR 2 crore for five lakh women, Scheduled Caste, and Scheduled Tribe entrepreneurs over five years.
- ✓ **Footwear & Leather Industry** - A new scheme will support productivity and quality in the footwear and leather sector, creating 22 lakh jobs and boosting exports.
- ✓ **Toy Industry Development** - A national toy manufacturing initiative that will focus on cluster development and sustainability.
- ✓ **Food Processing Industry Boost** - A National Institute of Food Technology, Entrepreneurship, and Management will be set up in Bihar to support food processing businesses.
- ✓ **National Manufacturing Mission** - The mission will provide policy guidance, execution roadmaps, and governance frameworks for industries of all sizes.
- ✓ **Clean Tech Manufacturing** - The government will promote domestic manufacturing of solar PV cells, electric vehicle batteries, wind turbines, and high-voltage transmission equipment.

Engine 3 – Investment

- ✓ **Saksham Anganwadi & Poshan 2.0** - The program will continue providing nutritional assistance to children, pregnant women, and adolescent girls.
- ✓ **Atal Tinkering Labs Expansion** - The government will establish 50,000 Atal Tinkering Labs in government schools to foster scientific curiosity and innovation.
- ✓ **Broadband Connectivity** - Government secondary schools and rural primary health centres will receive broadband connectivity under BharatNet.
- ✓ **IITs & Medical Education** - The government will increase capacity at five IITs and expand hostel facilities at IIT Patna. An additional 10,000 medical education seats will be introduced next year, contributing to a total of 75,000 new seats over five years.
- ✓ **Healthcare & Urban Development Initiatives** - 200 district hospitals will receive new cancer care centres in 2025-26, with plans for nationwide coverage in three years.
- ✓ **PM SVANidhi Expansion** - Street vendors will receive higher loan amounts, UPI-linked credit cards, and capacity-building support.
- ✓ **Gig Worker Social Security** - The government will introduce healthcare and financial security measures for online platform workers.
- ✓ **Public-Private Partnership (PPP)** - Each infrastructure-related ministry will develop a three-year pipeline of projects for PPP implementation, with states encouraged to follow suit.
- ✓ **Financial Support to States** - The government will allocate INR 1.5 lakh crore as 50-year interest-free loans to states for capital expenditure and reform incentives.



- ✓ **Asset Monetization Plan** - The second Asset Monetization Plan will be introduced to raise INR 10 lakh crore for new infrastructure projects.
- ✓ **Jal Jeevan Mission Extension** - The mission, which has already provided tap water connections to 15 crore households, will be extended until 2028 to achieve 100% rural coverage.
- ✓ **Urban Challenge Fund** - An INR 1 lakh crore Urban Challenge Fund will be created to support initiatives like Cities as Growth Hubs, Creative Redevelopment of Cities, and Water and Sanitation projects. The fund will finance up to 25% of project costs, requiring states to raise the remaining 50% through bonds, bank loans, and PPPs.
- ✓ **Power Sector Reforms** - States will be incentivized to implement electricity distribution reforms and strengthen intra-state transmission networks. States that improve power sector governance will be allowed to borrow 0.5% of their GSDP.
- ✓ **Nuclear Energy Mission** - The government aims to develop at least 100 GW of nuclear power by 2047 to support India's clean energy transition.
- ✓ **Private Sector Participation** - The Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be amended to facilitate private investment in nuclear power.
- ✓ **Small Modular Reactors (SMRs)** - A new INR 20,000 crore R&D mission will develop at least five indigenous SMRs by 2033.
- ✓ **Shipbuilding Policy** - A revamped Shipbuilding Financial Assistance Policy will be introduced to reduce cost disadvantages and promote domestic shipbuilding.
- ✓ **Maritime Development Fund** - A INR 25,000 crore fund will provide long-term financing for India's shipping and port sector, with a 49% government contribution.
- ✓ **UDAN Scheme Expansion** - The Regional Connectivity Scheme will be expanded to 120 new destinations, increasing passenger traffic to 4 crore over the next 10 years.
- ✓ **New Airport in Bihar** - A greenfield airport will be developed in Bihar, complementing the expansion of Patna airport and a brownfield project at Bihta.
- ✓ **Western Koshi Canal Project** - Financial assistance will be provided for the Western Koshi Canal ERM Project, which will benefit farmers cultivating over 50,000 hectares in Bihar.

Engine 4 – Exports

- ✓ **Export Promotion Mission** - A National Export Promotion Mission will be launched to set sectoral and ministerial export targets.
- ✓ **MSME Export Support** - The initiative will provide MSMEs with export credit, cross-border factoring, and assistance in overcoming non-tariff barriers.
- ✓ **BharatTradeNet (BTN)** - A new digital public infrastructure, BharatTradeNet, will streamline trade documentation and financing for exporters.
- ✓ **Global Best Practices** - The platform will align with international trade standards and complement the Unified Logistics Interface Platform (ULIP).
- ✓ **Global Supply Chain Integration** - The government will identify industries that can integrate into global supply chains and provide targeted incentives. Industry and senior government representatives will collaborate to develop strategies for select products and sectors.
- ✓ **Global Capability Centres (GCCs)** - A national framework will be introduced to promote GCCs in emerging Tier-2 cities by improving talent availability, infrastructure, and business-friendly regulations.



- ✓ **Air Cargo Warehousing** - Air cargo facilities will be upgraded to support high-value exports, particularly perishable horticulture products. Cargo screening and customs procedures will be streamlined for efficiency.

Reforms as the Fuel for Growth

- ✓ **Trust-Based Tax System** - The government reaffirms its commitment to a "trust first, scrutinize later" approach in taxation. A new Income Tax Bill will be introduced in Parliament next week to simplify and modernize tax laws.
- ✓ **Foreign Direct Investment in Insurance** - The FDI limit for the insurance sector will be raised from 74% to 100%, provided that the entire premium remains invested in India. The existing conditions on foreign investments in insurance will be reviewed and streamlined.
- ✓ **India Post Payment Bank** - The India Post Payment Bank will be expanded to deepen financial inclusion in rural areas.
- ✓ **Partial Credit Enhancement Facility by NaBFID** - The National Bank for Financing Infrastructure and Development (NaBFID) will launch a Partial Credit Enhancement Facility to improve corporate bond financing for infrastructure projects.
- ✓ **Grameen Credit Score Framework** - Public sector banks will develop a Grameen Credit Score to expand credit access for self-help group (SHG) members and rural borrowers.
- ✓ **Pension Sector Reforms** - A national forum will be established to improve pension product development and expand coverage.
- ✓ **Central KYC Registry** - A revamped Central KYC Registry will be rolled out in 2025 to simplify the Know Your Customer (KYC) process for individuals and businesses. The government will introduce a streamlined system for periodic KYC updates.
- ✓ **Regulatory Reforms** - A committee will review all non-financial sector regulations, certifications, licenses, and permissions to simplify business processes. States will be encouraged to join the initiative to ensure nationwide regulatory improvements.
- ✓ **Investment Friendliness Index** - A new ranking system will evaluate states on their investment policies to promote a business-friendly environment.
- ✓ **Financial Stability & Development Council (FSDC)** - The FSDC will create a mechanism to assess the effectiveness of current financial regulations and subsidiary instructions.
- ✓ **Jan Vishwas Bill 2.0** - The Jan Vishwas Bill 2.0 will be introduced to decriminalize over 100 provisions in various laws and further ease compliance for businesses.



NEW INCOME TAX BILL

Over the decades, the original Income Tax Act has been amended numerous times, leading to a convoluted structure with overlapping provisions, ambiguous language, and a significant increase in compliance burden for taxpayers. This complexity not only made understanding and adhering to the tax laws difficult for individuals and businesses, but also contributed to a high volume of tax-related litigation, straining both taxpayers and the judicial system. The 2025 Bill is being introduced with the core objectives of simplification, modernization, and increased efficiency. It seeks to streamline the tax code, making it more accessible and easier to understand for the average taxpayer, thereby reducing the potential for errors and misinterpretations. Furthermore, the bill aims to incorporate modern technological advancements into tax administration, promoting digital transactions, reducing paperwork, and improving the overall efficiency of tax collection and processing. The key driver behind the new legislation is the need to reduce litigation by clarifying ambiguous provisions and addressing loopholes.



Relax! Everything is same as before.

Backdrop

India's Income-tax Act of 1961, a cornerstone of the nation's fiscal framework, has undergone numerous amendments over its six-decade existence, leading to increased complexity and bulk. Recognizing the need for a more accessible and user-friendly tax code, the government introduced the Income-tax Bill, in 2025. The Income Tax Bill, 2025, tabled in Parliament on February 13, 2025, signifies a major effort to simplify India's Income-tax Act of 1961. Putting an end to all rumours, there is no direct tax code and this is the same law in a new fresh structure. As promised, the Government has not made any change to the rules per se, only the language has been simplified.

The Income Tax Bill, 2025, aims to create a tax code that is concise, lucid, easy to read and understand, as stated by the Finance Minister. Quantitatively, the bill reduces the Act's length significantly, cutting words by 252,859, chapters from 47 to 23, and sections from 819 to 536. The simplification exercise adheres to several ground rules - eliminating redundant provisions, adopting a straightforward drafting style with increased use of tables (from 18 to 57), and employing sub-sections and clauses instead of provisos and explanations. All provisos (approximately 1200) and explanations (approximately 900) have been removed, with their content integrated into sub-sections or clauses. The bill also simplifies cross-referencing, replacing complex chains of references with direct section citations.

The Income Tax Bill 2025 has been handed over to the select committee of the Parliament currently and might undergo certain changes before it becomes law. The information below is based on the draft bill and the same might undergo certain changes before it is finally passed by the Parliament. Currently, the proposed effective date of the Income Tax Act, 2025 is set to April 1, 2026. Therefore, there is ample time to adopt the new law.

The Genesis

The Income-tax Act, of 1961, enacted in 1962, has been amended approximately 65 times, incorporating over 4,000 changes. While acknowledged for its contribution to tax governance, the Act's accumulated amendments, intricate language, and redundancies have raised concerns among taxpayers and administrators alike. Unlike other legal statutes, the Income-tax Act necessitates frequent updates to reflect evolving economic, social, and political realities. Previous simplification attempts, including those in 2009 and 2019, have informed subsequent amendments, but a comprehensive restructuring was deemed necessary. The simplification of tax laws is a global trend. The UK and Australia, for example, have undertaken similar simplification exercises. Interestingly, in both cases, while the language was simplified, the resulting tax codes became longer due to increased segmentation. These experiences underscore the delicate balance between simplification and the need for clear, unambiguous legal language. India's approach, drawing from these international lessons, focuses not only on linguistic simplification but also on structural rationalization.

Finance Bill 2025

The Income Tax Bill 2025 already includes all amendments proposed in the Finance Bill 2025. Therefore, the same must be compared to the provisions of the Income Tax Act, 1961, as updated with the proposed amendments in the Finance Bill 2025, while reviewing the Income Tax Bill 2025. This ensures a comprehensive understanding, as no new terms have been introduced in the Bill. One key proposal from the Finance Bill 2025, which is incorporated in the Income Tax Bill 2025, is the exclusion of advances or loans between two group entities, where one of the entities is classified as a "Finance Company" or "Finance Unit," from the definition of the term 'dividend'.

Section 2 Definitions

The new Bill introduces several simplifications in Section 2, particularly in how definitions are presented. The language has been simplified to enhance clarity without changing the meaning. Definitions are now listed in alphabetical order for easier reference. Additionally, terms that were defined in multiple sections of the Income-tax Act, 1961, have been consolidated into Section 2 to avoid redundancy. For example, the definition of 'senior citizen,' which appeared in six places, is now unified in this section. These changes aim to make the legal framework more accessible and streamlined.



'Tax Year' Concept

A 'tax year' is 12 months contained within a financial year, replacing the term 'previous year' used in the Income-tax Act, of 1961. It also supersedes the term 'assessment year,' which has been discontinued in the new Income-tax Bill. The introduction of the term 'tax year' was necessary to address the confusion caused by the dual use of 'previous year' and 'assessment year,' which referred to two different financial years. This duality was no longer needed, as the alignment of the 'previous year' with the financial year has made the distinction irrelevant. The term 'tax year' is more in line with international tax practices and is used in comparable jurisdictions. The term 'financial year' is still relevant and has not been replaced by 'tax year.' While a 'tax year' can be less than a financial year in certain cases e.g., when a business is newly set up, the term 'financial year' remains necessary for procedural actions like filing returns and other compliance activities. These actions often require reference to the full financial year, which is why the term 'financial year' continues to appear in the Bill. The term 'financial year' is not defined in the new Income-tax Bill. It also does not have a definition in the Income-tax Act, 1961, but is defined under Section 3(21) of the General Clauses Act, 1897 as the year beginning on April 1. The term 'financial year' continues to appear in the Bill for specific procedural contexts, such as the completion certificate for buildings held as stock-in-trade, where it is more relevant than the 'tax year.'

Section 10 Exemptions

Section 10 of the Income Tax Act, of 1961, contains a wide range of provisions granting exemptions to various persons and types of income. The section includes around 140 clauses that provide specific exemptions to individuals, institutions, and other entities. Over the years, Section 10 has evolved with periodic changes, including the addition or removal of exemptions for certain classes of persons or income. For instance, Clause 23C of Section 10 contains 15 sub-clauses, each with further subdivisions. It also contains 24 provisos, and some of these provisos have multiple Explanations and additional provisos, creating a highly convoluted structure. To address these difficulties, the provisions of Section 10 have been redrafted in the Income Tax Bill 2025 using a more streamlined approach. The various provisions related to exemptions have been categorized into 6 different schedules, each corresponding to specific types of taxpayers. Redundant provisions have been eliminated to simplify the framework. The new Bill uses a tabular format under each schedule, detailing the income eligible for exemption, eligible persons, and applicable conditions in separate columns for better clarity.

Salary and House Property

The provisions related to Salary and House Property in the new Income Tax Bill have undergone significant simplification to enhance clarity and ease of compliance for taxpayers. All provisions related to Salary are now consolidated under one part, 'Salaries', eliminating the need for taxpayers to refer to multiple chapters when filing their returns. Legal and technical jargon has been minimized, and key concepts like Perquisites, Profit in lieu of salary, and Standard Deduction have been clarified and presented in a more structured, understandable way.

For the House Property section, the provisions were already considered relatively simple and well-understood by the public. The concepts, such as the Annual Value of House Property and Self-occupied Property, have been widely accepted, and there have been minimal disputes regarding their interpretation and calculation. Therefore, only minimal changes have been made to avoid confusion and ensure a smooth transition to the new bill.

Business Income

Business income-related sections have been reorganised to enhance coherence and create logical links, making the text more accessible. Similar provisions, such as those for presumptive taxation for residents and non-residents, have been consolidated into one section. Additionally, provisions related to employee welfare, which were previously spread across various sections, have been brought together under a single section. Complex concepts like Written-Down Value and Actual Cost have been clarified using formulae, and provisions that involved multiple scenarios have been organized into tables for better readability. The flow of sections has also been improved, with related provisions grouped. For instance, provisions on general expenditure allowances and deductions for actual payments are now placed side by side, offering clearer guidance.

Deductions for scientific research and other related expenditures have been consolidated into proposed sections 45, 46, and 47, further



simplifying the framework. Bad debt and provisions for bad debts have been consolidated into a separate section. Similarly, the provisions for depreciation have been simplified. The definitions of Actual Cost and Written-Down Value have been simplified and placed in a tabular format to enhance clarity. Redundant provisions, such as adjustments for goodwill, have been removed, making these definitions easier to understand. The section on scientific research expenditure has also been streamlined. The provisions regarding the capitalization of foreign exchange fluctuations (Section 43A) have been simplified by breaking them into four subsections and introducing a formula for calculating the impact of fluctuations on liabilities. Additionally, provisions related to the Site Restoration Fund, Tea Development Account, and other specific trade provisions have been moved to the Schedules to reduce complexity in the main text.

Deferred expenditure provisions related to telecommunications, amalgamation, and voluntary retirement schemes have been consolidated into one section, presented in a tabular form. Similarly, the presumptive taxation provisions for both residents and non-residents have been merged into a single table, with simplified language, and eligibility conditions listed in sub-sections. For cooperative banks, the formula for determining depreciation and deductions has been simplified and merged.

Clubbing, Deeming, Setoff and Carry Forward

For the Clubbing sections, formulae have been introduced for ease of understanding and certainty in computation. In Deeming Provisions, Section 69B has been merged with sections 69 and 69A to streamline the treatment of unexplained investments and assets. One key improvement is the introduction of clearer and more specific references to the rates of taxation within the relevant chapters. Additionally, the name of Section 68, Cash Credits has been changed to Unexplained Credits to more accurately reflect the nature of the credits being taxed. Despite the name change, the tax treatment remains the same. Setoff and Carry Forward of Losses and Unabsorbed Depreciation have been placed together under a series of sections.

Chapter VIA Deductions

Large sections, like Section 80C, have been streamlined, and the detailed provisions have been moved to Schedules for better presentation and comprehension. Moreover, deductions available under sections such as 80-IA, 80-IB, 80-IAB, and 80-IBA for specific undertakings or projects remain applicable, with necessary savings and repeal clauses incorporated to ensure continuity. Section 80G, which deals with deductions for donations, has been improved by clearly segregating deductions based on the percentage—100% and 50%—without any policy change. Sections 80TTA and 80TTB, which provide deductions on interest earned from savings accounts, have been merged into a single section. Section 80PA has been clarified with the eligibility criteria for taxpayers now listed pointwise. Section 80RRB, which allows deductions on royalties earned from patents, has also been simplified.

TDS and TCS, Advance tax, refund and interest

Under the current Act, there are 43 sections detailing various sums liable for TDS based on the payer/payee's status and applicable monetary limits, with specific rates for each case. In the new Bill, these provisions have been consolidated into a single section, which includes three tables categorized by payee type – Residents, Non-residents, and Any person. These tables specify the nature of income, monetary thresholds, payer/person, and the applicable TDS rates. Additionally, a separate table outlines instances where TDS is not required to be deducted. Similarly, TCS provisions have been simplified and consolidated into one single section.

The provisions concerning payments made by the taxpayer voluntarily and those made following the Assessing Officer's order have been separated into two distinct sections to reduce confusion. A formula has been introduced to simplify the computation of advance tax liability. Regarding refunds and interest, the new bill introduces formulas to calculate interest in various situations. For example, to compute interest on defaults in furnishing the return of income, the formula provided is: $I = 1\% * A * T$, where: I = interest payable, A = the amount of tax on which interest is payable, T = number of months between the start date and end date. Furthermore, the bill offers clearer guidance on the computation of interest by using a table that outlines the start date, end date, and the amount of tax on which interest is payable under different scenarios.

Tax at Special Rates

Under the new Income Tax Bill, 2025, taxpayers who have opted for the New Tax Regime under the Income-tax Act, 1961, will not need to



opt for it again. Necessary rules and forms for implementing the new tax regime or claiming MAT will be introduced once the law is enacted. For domestic taxpayers, the provisions related to special rates have been made clearer, with the New Tax Regime now placed in a separate section dedicated to special tax rates for individual taxpayers, domestic companies, cooperative societies, and other eligible taxpayers.

Assessments

Terms like "Competent Authority" and "Approving Authority" have been clearly defined to eliminate any confusion among taxpayers. The Income Tax Act, of 1961, contained four parts dealing with Income Tax Authorities, whereas the new bill has consolidated these into two parts. Section 153 limiting the time for assessment and reassessment and Section 155 dealing with other amendments are now converted into a more readable tabular format. Additionally, Section 144B, which outlines the procedure for faceless assessments, has been simplified and redrafted. The definition of information for issuing notices under Section 148, the inclusion of the Approving Panel's directions and findings from authorities, Tribunals, or Courts, and the consolidation of faceless scheme provisions into a single section are other noticeable changes.

Non-Profit Organisations

The provisions related to non-profit organisations (NPOs) have been revamped in the Income Tax Bill 2025 to simplify and consolidate the existing rules, making them easier to understand and comply with. The Income-tax Act already provides various exemptions for government-funded entities and other non-profit entities engaged in charitable and social activities. These entities receive donations and voluntary contributions and generate income from charitable activities. As of November 30, 2024, over 250,000 returns were filed by such entities, with over INR 10 lakh crore being applied for charitable and religious purposes in FY 2022-23. Given the scale and significance of these organisations, it was deemed necessary to streamline the provisions related to NPOs.

In the existing Income-tax Act, provisions for registered non-profit organisations are spread across several sections and chapters. They are scattered across multiple chapters, leading to numerous cross-references. The provisions have evolved, with frequent amendments, explanations, and provisos that make them complex. For example, Section 11 alone has 13 Explanations and 16 provisos. In the Income Tax Bill 2025, the provisions related to non-profit organisations have been redrafted with a focus on simplification. A common term, registered non-profit organisation, has replaced various terms like trust, institution, university, hospital, etc., in line with international practices. To avoid confusion, the Bill uses the term registration consistently, replacing the varied use of terms like approval and registration. All provisions related to non-profits are now consolidated in Part B of Chapter XVII titled 'Special Provisions for Registered Non-Profit Organisations.' As a result of this simplification exercise, the word count has been significantly reduced. The provisions, previously spread across 12,800 words, have now been condensed to 7,600 words.

Existing registered non-profit organisations will not be required to re-register under the new provisions of the Income Tax Bill 2025. The previous Income Tax Act had two regimes for granting exemptions to registered non-profit organisations: one under Section 10(23C) and another under Sections 11 to 13. Applications under the first regime will no longer be accepted after October 1, 2024. However, approvals granted under this first regime will remain valid for the period of their approval. Organisations that were approved under the first regime will be eligible to apply for registration under the second regime. Under the new Bill, all registered non-profit organisations, are defined as those with valid registration under Sections 12A, 12AA, 12AB, or Section 10(23C) of the Income Tax Act, 1961, and whose registration has not been cancelled.



TAXATION UPDATES

At the time of presentation of the Budget before the Parliament, a Finance Bill is also presented detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the budgeted estimates. The Finance bill is introduced every year to give effect to the financial proposals of the Government for the subsequent financial year and any supplementary financial proposals for any period. In simple terms, Government presents its budget estimates in Annual Financial Statements, however, to achieve those estimates various laws may be required to be amended. A gist of all such amendments and other provisions is presented as a Finance bill. The finance bill can only be introduced in Lok Sabha and also requires prior recommendation of the President. Thus, before presenting budget in Lok Sabha, the salient features of the budget are first presented to President of India, then to the cabinet ministry and finally in the Lok Sabha.



Income tax



Introduction

The Indian economy has navigated a complex landscape in the lead-up to the Budget 2025. The past year has been marked by a confluence of global headwinds, including lingering inflationary pressures, geopolitical uncertainties, and supply chain disruptions. These factors have presented unique challenges to policymakers, who have had to balance the need for fiscal prudence with the imperative to stimulate economic growth and address the concerns of a diverse populace. Expectations were high for the Budget 2025 to provide relief to taxpayers, incentivize investment, and chart a course for sustainable economic recovery. However, the government also faced the daunting task of managing public debt, promoting job creation, and fostering an environment conducive to long-term economic stability. This budget, therefore, was not just a financial document but a statement of intent, signalling the government's priorities and its vision for the future of the Indian economy. It was keenly awaited to see how it would address these competing demands and shape the tax landscape for individuals and businesses alike.

SECTION A – PERSONAL TAX

New Regime Becomes the Undisputable Choice

Taxation under the new tax regime becomes even more lucrative. Changes in tax rates are as follows:

- ✓ For individuals and HUF, the tax slabs have been significantly improved under the new regime. There will be no tax on total income up to INR 4,00,000. Thereafter, a 5% tax shall apply to income up to INR 8,00,000 instead of INR 7,00,000. Similarly, a 10% tax shall apply to income up to INR 12,00,000 instead of INR 10,00,000 slabs. Thereafter, a 15% tax shall apply to

additional income up to INR 16,00,000 instead of INR 12,50,000. 20% tax shall apply to additional income up to INR 20,00,000 instead of INR 15,00,000. A new slab has been added and additional income up to INR 24,00,000 will be taxable at 25% instead of 30% earlier. The tax rate of 30% will be applicable from INR 24,00,000 onwards instead of INR 15,00,000 earlier.

- ✓ The tax rebate under Section 87A has been increased to INR 60,000. This means that individuals with a net taxable income of up to INR 12 lakh will have zero tax liability. This is a substantial increase from the previous limit of INR 7 lakh.
- ✓ There is no change in tax rates under the old regime of taxation.
- ✓ There is no change in the basic exemption limit or tax rates for any other class of assessee.
- ✓ There is no change in the surcharge or education cess rate.

Rebate on Tax

Section 87A provides a full tax rebate for resident individuals with a total income of up to INR 5 lakh under the old regime. This remains unchanged. For those opting for the new tax regime, a full rebate for resident individuals was available for total income up to INR 7 lakh. From FY 2026 onwards, this income limit has been increased from INR 7 lakh to INR 12 lakh under the new regime. In other words, the maximum rebate amount is raised from INR 25,000 to INR 60,000. Individuals with income up to INR 12 lakh and opting for the new regime will have to pay no taxes. However, this rebate under 87A does not apply to income tax payable on incomes chargeable at special rates, like capital gains under Sections 111A and 112. A new proviso has been added to Section 87A to clarify that the rebate under the first proviso shall not exceed the income tax payable as per the rates specified.



Individuals, HUF, AOP, BOI and AJP (Option A)

| Income slab | Tax rate applicable (slab rates) for FY 2026 |
|-----------------------|--|
| 0 to 2,50,000 | Nil |
| 2,50,000 to 5,00,000 | 5% (no tax if total income less than 5 lakh) |
| 5,00,000 to 10,00,000 | 20% |
| 10,00,000 and above | 30% |

Note: For senior citizens with age between 60 to 80 years, income up to 3,00,000 is tax free. For super senior citizens with age above 80 years, income up to 5,00,000 is tax free.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, above 1 crore – 15%, Capital Gains – Maximum 15%

Individuals, HUF, AOP, BOI and AJP (Option B)

| Income slab | Tax rate applicable (slab rates) for FY 2026 |
|------------------------|--|
| 0 to 4,00,000 | Nil |
| 4,00,000 to 8,00,000 | 5% (no tax if total income less than 12 lakh) |
| 8,00,000 to 12,00,000 | 10% (no tax if total income less than 12 lakh) |
| 12,00,000 to 16,00,000 | 15% |
| 16,00,000 to 20,00,000 | 20% |
| 20,00,000 to 24,00,000 | 25% |
| 24,00,000 and above | 30% |

Note: 70 different exemptions and deductions cannot be claimed under this option. The rates are same for all irrespective of their age, under this option.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, 1 crore to 2 crore – 15%,
2 crore and above – 25%, Capital Gains – Maximum 15%

Partnership Firms, LLP, Local Authority

Partnership firms and Limited Liability Partnerships (LLP) are taxable at 30%. There are no tax slabs or basic exemption limits for these entities. There's no alternate tax regime for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil, Above 1 crore – 12%

Higher education cess at 4% on the amount of income tax and surcharge, is applicable to all taxpayers.



Domestic Companies

| Turnover in FY 2023 | Tax rate applicable (flat rates) for FY 2026 |
|---|--|
| 0 to 400 crore | 25% (or 15% MAT, whichever is higher) |
| 400 crore and above | 30% (or 15% MAT, whichever is higher) |
| Option under 115BA (manufacturing companies formed after March 1, 2016 and not opting for deductions or setoff of losses) | 25% (or 15% MAT, whichever is higher) |
| Option under 115BAA (any company not opting for deductions or setoff of losses) | 22% (MAT not applicable) |
| Option under 115BAB (manufacturing companies formed after October 1, 2019 commencing production before March 31, 2023 and not opting for deductions or setoff of losses) | 15% (MAT not applicable) |

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 7%, above 10 crore – 12%
 If opted for 115BAA or 115BAB – 10%

Foreign Companies

Foreign companies are taxable at 35%. There are no tax slabs, exemption limits or alternate tax regimes for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 2%, above 10 crore – 5%

Co-operative Societies

| Income slab | Tax rate applicable (slab rates) for FY 2026 |
|--|--|
| 0 to 10,000 | 10% |
| 10,000 to 20,000 | 20% |
| 20,000 and above | 30% |
| Option under 115BAD (for resident co-operative societies, if they forgo specified deductions and setoff of losses.) | 22% (AMT not applicable) |
| Option under 115BAE (for resident co-operative societies, if they forgo specified deductions and setoff of losses.) | 15% (AMT not applicable) |

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 7%, above 10 crore – 12%, If opted for 115BAD – 10%

Higher education cess at 4% on the amount of income tax and surcharge, is applicable to all taxpayers.



Updated Return Filing Time Limit

Section 139(8A) allows filing updated returns within 24 months from the relevant assessment year-end, with an additional income tax of 25% (within 12 months) or 50% (12 to 24 months). To encourage voluntary compliance, the time limit is being extended to 48 months. Additional income tax rates will be 60% (24 to 36 months) and 70% (36 to 48 months). No updated return will be allowed if a show-cause notice under Section 148A is issued after 36 months from the assessment year-end. However, if an order under Section 148A(3) determines no Section 148 notice is warranted, an updated return can be filed up to 48 months from the assessment year-end. These amendments are applicable from April 1, 2025.

SALARY

SECTION B – SALARY

Threshold for Perquisite Calculation

Section 17(2) defines perquisite to include benefits provided free or at concessional rates by an employer to an employee whose Salary does not exceed INR 50,000. Recognizing that these income limits are outdated, it is proposed to amend Section 17 to allow for rules to be prescribed that increase this limit. These amendments are applicable from April 1, 2025.

NPS Vatsalya Scheme Contributions

National Pension Scheme (NPS) tax benefits under Section 80CCD will now extend to contributions made to NPS Vatsalya accounts launched on September 18, 2024, for minors. Parents can claim a deduction for such NPS accounts up to an overall INR 50,000 limit under Section 80CCD(1B). Amounts deducted under Section 80CCD(1B), and any accrued amounts, will be taxed upon withdrawal by the minor. Amounts deducted and received upon account closure due to the minor's death will not be considered income. Partial withdrawals for education-specified illnesses, or 75% disability, from the minor's account, will be exempt under Section 10(12BA) if such withdrawals do not exceed 25% of contributions made. These amendments are applicable from April 1, 2025.

Withdrawals from National Savings Scheme

Section 80CCA provides a deduction for amounts deposited in the National Savings Scheme (NSS) by individuals or Hindu undivided families, however, no deduction is allowed for deposits made on or after April 1, 1992. Section 80CCA(2) deemed withdrawals, including accrued interest, as taxable income if a deduction had been claimed. Withdrawals due to the depositor's death were not

taxable for legal heirs. Now, on August 29, 2024, the Department of Economic Affairs announced that no interest would be paid on NSS balances after October 1, 2024. Therefore, Section 80CCA is being amended to exempt withdrawals of deposits made before April 1, 1992, along with accrued interest, from taxation if withdrawn on or after August 29, 2024. This amendment will be applicable from August 29, 2024.

SECTION C – HOUSE PROPERTY

Annual Value for Self-Occupied Property

Section 23(2) currently deems the annual value of a self-occupied house property as nil, if the owner cannot occupy it due to 'employment elsewhere'. Section 23(2) is now amended to deem the annual value as nil if the owner occupies it for residence or cannot occupy it 'for any reason'. The two-property limit under Section 23(4) will remain unchanged. This amendment is applicable from April 1, 2025.

SECTION D – BUSINESS INCOME

Extension of Tax Benefits to Start-ups

Section 80-IAC allows eligible start-ups to deduct 100% of profits and gains from an eligible business for three consecutive assessment years out of ten, starting from the incorporation year. Eligibility requires total business turnover not exceeding INR 100 crore; a certificate of eligible business from the Inter-Ministerial Board of Certification; and incorporation on or after April 1, 2016, but before April 1, 2025. This benefit is being extended for another five years, making eligible start-ups incorporated before April 1, 2030. This amendment is applicable from April 1, 2025.

Carry Forward of Losses in Amalgamations

Sections 72A and 72AA govern the carry forward and set-off of accumulated losses and unabsorbed depreciation for amalgamations and business reorganizations. Currently, these sections deem the accumulated loss of the predecessor entity as the successor entity's loss for the year of amalgamation. Section 72 limits business loss carry forward to eight assessment years. To align with Section 72 and prevent perpetual carry forward through successive amalgamations, Sections 72A and 72AA are being amended. Any loss from the predecessor entity, deemed as the successor's loss, can be carried forward for no more than eight assessment years from the year the loss was first computed for the original predecessor entity. These amendments apply to amalgamations or reorganizations effective on or after April 1, 2025.



Multi-Year Arm Length Price Determination

To reduce the compliance and administrative burden of repeatedly analyzing similar international or specified domestic transactions for arm's length price (ALP) determination each year, it is proposed to allow the ALP determined for a transaction in one year to apply to similar transactions in the two immediately following years.

The assessee must choose this multi-year option in a prescribed form. The TPO has one month from the option exercise month-end to declare the option valid. The TPO will examine and determine the ALP for these similar transactions in the subsequent years, following the process in Section 92CA(3). Upon receiving the TPO's order, the Assessing Officer will recompute the assessee's total income for those two years. This recomputation must be done within three months from the end of the month in which the assessment is completed for the assessee for that previous year.

No further ALP computation reference for that transaction will be made. If a reference is made before or after the TPO's declaration, Section 92CA(1) will treat it as if no reference was made for that transaction. The multi-year option and related procedures will not apply to block assessments. These amendments are applicable from April 1, 2025.

SECTION E – CAPITAL GAINS

Redemption of Unit Linked Insurance Policies

Section 10(10D) exempts sums received under a life insurance policy, including bonuses, if the premium for any policy year doesn't exceed 10% of the actual capital sum assured. The Finance Act, of 2021, limited this exemption for ULIPs issued on or after February 1, 2021, if the premium or aggregate premium exceeds INR 2,50,000. ULIPs not qualifying for the Section 10(10D) exemption due to this limit are treated as capital assets and their redemption is taxed as capital gains. Meanwhile, sums received from non-ULIP life insurance policies that don't qualify for the Section 10(10D) exemption are taxed under Income from Other Sources. To rationalize ULIP provisions, it is clarified that ULIPs not exempt under Section 10(10D) are capital assets under Section 2(14), their redemption profits/gains are taxed as capital gains under Section 45(1B), and they are included in the definition of equity-oriented funds under Explanation to Section 112A. These amendments are applicable from April 1, 2025.

Income from Securities Transactions for Investment Funds

Section 2(14) defines capital asset to include any property held by

an assessee excluding stock-in-trade and personal assets, and specifically includes securities held by Foreign Institutional Investors compliant with SEBI regulations. However, uncertainty exists regarding whether income from securities transactions by investment funds specified in Section 115UB Explanation 1(a) should be treated as capital gains or business income. To provide certainty, the Act is being amended to clarify that any security held by these investment funds, compliant with SEBI regulations, will be treated as a capital asset only. This ensures that any income from transferring such securities will be considered capital gains. This amendment is applicable from April 1, 2025.

Capital Gains Taxation for Non-Residents

Section 115AD governs the taxation of specified funds and Foreign Institutional Investors (FIIs). It previously stipulated a 10% tax rate on long-term capital gains from the transfer of securities other than units under Section 115AB. Following amendments, the long-term capital gains tax rate for all assessees (resident and non-resident) was revised to 12.5% effective from July 23, 2024. However, while long-term gains covered by Section 112A were aligned with resident rates, the 10% rate under Section 115AD for other long-term capital gains was retained. Therefore, Section 115AD is being amended to increase the tax rate on long-term capital gains from the transfer of securities other than units under Section 115AB not covered by Section 112A to 12.5%, aligning it with the general rate. These amendments are applicable from April 1, 2025.

Information Regarding Crypto-Assets

Section 285BAA is being introduced to mandate information reporting for crypto-assets. Section 285BAA mandates prescribed reporting entities to furnish information on crypto-asset transactions in a statement. It also allows the prescribed authority to notify the filer of defects in the statement and provide an opportunity to rectify them within 30 days. The prescribed authority can issue a notice requiring the filer to furnish the statement within a specified time if it hasn't been furnished. Filers who discover inaccuracies in a furnished statement can furnish a correction statement. Additionally, Section 2(47A) is being amended to include a new sub-clause (d), clarifying that virtual digital asset includes any crypto-asset (digital representation of value relying on cryptography and distributed ledger technology), regardless of whether it already fits the existing VDA definition. These amendments are applicable from April 1, 2025.



SECTION F – WITHHOLDING TAXES

TCS on Sale of Specified Goods

Section 206C(1H) mandates a 0.1% TCS by a seller on the sale of goods exceeding INR 50 lakhs in a previous year. Meanwhile, Section 194Q requires a buyer to deduct TDS at 0.1% on the purchase of goods exceeding INR 50 lakhs from a resident seller. Essentially, both sections cover the same transaction, with Section 206C(1H) stating it doesn't apply if the buyer is liable to deduct TDS under any other provision and has done so. However, it's difficult for the seller to verify buyer compliance with TDS under Section 194Q, resulting in both TDS and TCS applying. To ease business operations and reduce compliance burden, Section 206C(1H) will be omitted from April 1, 2025.

Higher TDS/TCS for Non-Filers

Sections 206AB and 206CCA mandate higher TDS and TCS rates for non-filers of income tax returns. Stakeholders represented that it's difficult to verify filing status, leading to higher rates being applied, capital blockage, and increased compliance burden. Therefore, to address this and reduce compliance burden, Sections 206AB and 206CCA are being omitted. These amendments are applicable from April 1, 2025.

TDS on Rent

Section 194-I mandates TDS on rent payments to a resident by any person if the rental income exceeds INR 2,40,000 in a financial year. This threshold is being revised to INR 50,000 per month or part of a month. This amendment is applicable from April 1, 2025.

TDS on Professional Fees

Section 194J mandates TDS on fees for professional or technical services, director remuneration, fees, commission excluding those under Section 192, royalty, or any sum under Section 28(va) paid to a resident by any person other than an individual or a Hindu undivided family, at specified rates. The current threshold of INR 30,000 under this section is now increased to INR 50,000. This amendment is applicable from April 1, 2025.

TDS on Commission

Section 194H requires TDS on commission or brokerage payments to a resident if the amount paid during the financial year exceeds INR 15,000. This threshold is now increased to INR 20,000. Similarly, Section 194D mandates TDS on remuneration or rewards for soliciting or procuring insurance business paid to a resident if the payment exceeds INR 15,000 in a financial year. This threshold is being increased to INR 20,000. Further, Section 194G

mandates a TDS on commission, remuneration, or prizes (by whatever name called) exceeding INR 15,000 paid to any person stocking, distributing, purchasing, or selling lottery tickets. This threshold is also increased to INR 20,000. These amendments are applicable from April 1, 2025.

TDS on Interest from Securities

Section 193 mandates tax deduction at source (TDS) on interest income from securities paid to a resident, at the time of credit or payment, whichever is earlier. Currently, there's no threshold for TDS under this section. A proviso clause (v) exempts TDS on interest up to INR 5,000 paid by a company in which the public is substantially interested in a resident individual or Hindu undivided family via account payee cheque on debentures. Section 193 is being amended to introduce a threshold. TDS will only be deducted if the interest income, or aggregate interest income, exceeds INR 10,000 during a financial year. The proviso will be amended accordingly. These amendments are applicable from April 1, 2025.

TDS on Interest other than from securities

Section 194A(1) mandates TDS on interest income other than interest on securities paid to a resident by any person at applicable rates. Section 194A(3) specifies instances where TDS might not be required if the payer is specific and the interest income doesn't exceed a specified amount. The threshold for TDS deduction in case of interest payments by banks, co-operative banks, post offices, or a co-operative society shall be INR 1,00,000 for senior citizens and INR 50,000 for others. In all cases other than those specified above, the threshold shall be INR 10,000.

TDS on Dividends

Section 194 mandates a 10% TDS on dividends paid by Indian companies or companies with prescribed dividend payment arrangements in India to resident shareholders. The first proviso exempts TDS if the dividend amount, or aggregate dividend amount, distributed or paid during the financial year to an individual shareholder does not exceed INR 5,000. This threshold is being increased to INR 10,000. This amendment is applicable from April 1, 2025.

TDS on Lottery Winnings and Horse Race

Section 194B mandates TDS on winnings from lotteries, crossword puzzles, card games, other games, gambling, or betting if the amount or aggregate amount exceeds INR 10,000 during the financial year. This threshold will now apply to each transaction, removing the aggregate calculation over the financial year.



Similarly, Section 194BB which mandates TDS on winnings from horse races by bookmakers or licensed entities involved in horse racing if the amount exceeds INR 10,000, will now be applicable per transaction instead of financial year. These amendments are applicable from April 1, 2025.

TDS on Income from Units

Section 194K mandates a 10% TDS on income from units of a Mutual Fund specified under Section 10(23D) paid to a resident. Currently, TDS is triggered if the income exceeds INR 5,000 in a year. This threshold is being increased to INR 10,000. This amendment is applicable from April 1, 2025.

TDS on Compensation for Acquired Immovable Property

Section 194LA mandates TDS on compensation or enhanced compensation paid to a resident for the compulsory acquisition of immovable property other than agricultural land under any law. TDS is required if the amount exceeds INR 2,50,000 in a financial year. This threshold is being increased to INR 5,00,000. This amendment is applicable from April 1, 2025.

TCS on Forest Produce

Section 206C(1) mandates 2.5% TCS on Timber obtained under a forest lease; Timber obtained by other modes; and any other forest produce (excluding timber and tendu leaves). There was no definition of forest produce which created implementation difficulties. Therefore, forest produce is now defined as having the same meaning as defined in any applicable State Act or the Indian Forest Act, of 1927. Further, only forest produce obtained under a forest lease will be subject to TCS. TCS rate is also revised to 2% now for all forest produce. These amendments are applicable from April 1, 2025.

Prosecution for Delayed TCS Payment

Section 276BB provides for prosecution (3 months to 7 years imprisonment and fine) for failure to pay TCS. Section 276BB is being amended to exempt individuals from prosecution if the TCS payment is made on or before the due date for filing the quarterly TCS statement under Section 206C(3). This amendment is applicable from April 1, 2025.

Order Time Limit Calculation

Section 206C(7A) sets a time limit for orders deeming a person an

assessee in default for failing to collect tax as six years from the end of the financial year the tax was collectable, or two years from the end of the financial year the correction statement was delivered (whichever is later). To account for situations like court stays, it's proposed to amend Section 206C(7A) to apply Section 153 which covers the exclusion of period of court stay, to the time limit. This amendment is applicable from April 1, 2025.

SECTION G – TAX ASSESSMENTS

Block Assessment Provisions

Undisclosed income under Section 158B will now include virtual digital assets.

Sections 158BA(2) and (3) provide that pending assessments shall abate if block assessment has been initiated. Section 158BA(5) provides that if proceedings are annulled, the pending assessments or reassessments that were abated will now be revived. This clause now provides that pending recomputation, reference, or order, shall also be revived.

When calculating income for the block period, the focus will be on undisclosed income reported in tax returns. Section 158BB(1)(i) will refer to undisclosed income declared in the return instead of total income disclosed, with a consequential amendment in Section 158BB(6).

Income reported before the search/requisition will be included in the block period income, and the rules for calculating income from the year when the search/requisition happened are now made clearer. Section 158BB(1)(iii) specifies that income declared in returns under Section 139 or in response to notices under Section 142(1) or 148 before the search/requisition date will be included in the block period's total income. Section 158BB(1)(iv) now clarifies that normal provisions shall apply to income for the previous year where the return due date hasn't expired.

Income from international or specific domestic transactions will be handled separately and not included in the block period income. Section 158BB(3), concerning international/specified domestic transactions, will be amended to exclude such income from the block period income.

The block assessment completion time limit in Section 158BE will be changed to 12 months from the end of the quarter instead of the month in which the last search/requisition authorization was executed.

These amendments are applicable from February 1, 2025.



Non-Applicability of Section 271AAB Penalty

Section 271AAB(1A) concerns penalties for searches initiated after December 15, 2016. With the introduction of Block Assessment, it is proposed to explicitly clarify that Section 271AAB penalties will not apply to searches initiated on or after September 1, 2024. This removes any ambiguity, even though Section 271AAB already excludes proceedings under Section 158BC. This amendment is applicable from September 1, 2024.

Search and Seizure Provisions

Section 132(8) concerning retention approval for seized items, currently allows 30 days from the order date. This creates administrative difficulties, especially in group cases, due to varying order dates and the need to segregate seized items. Therefore, the approval deadline is being revised to 1 month from the end of the quarter in which the order was made. Explanation 1 to Section 132, defining when the last search authorization is deemed executed, will replace authorisation with authorisations for consistency. Finally, Explanation 1 to Section 132B, defining execution of authorisation for search or requisition, will be amended to reference Explanation to Section 158B (concerning block assessments) instead of the outdated Section 158BE. These amendments are applicable from April 1, 2025.

Penalty Imposition Time Limit

Section 275 sets various time limits for imposing penalties, depending on the stage of proceedings. These multiple timelines create administrative difficulties. Therefore, Section 275 is being amended to establish a single deadline for all penalties i.e. six months from the end of the quarter in which the connected proceedings are completed, the appeal order is received by the jurisdictional Principal Commissioner or Commissioner, the revision order is passed, or the penalty imposition notice is issued, whichever occurs later. Section 246A is also being amended to reflect this change in Section 275. These amendments are applicable from April 1, 2025.

Period Excluded Due to Court Stay

Sections 144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B of Schedule II allow the exclusion of periods stayed by court order or injunction when calculating time limits for proceedings. Ambiguity existed regarding the start and end dates of this excluded period. These sections are being amended to clarify that the excluded period begins on the date the stay is granted and ends on the date the jurisdictional Principal Commissioner or

Commissioner (Approving panel for Section 144BA) receives a certified copy of the order vacating the stay. This amendment is applicable from April 1, 2025.

Penalty Imposition Authority

Sections 271C, 271CA, 271D, 271DA, 271DB, and 271E currently allow the Joint Commissioner to impose penalties, even though assessments are done by the Assessing Officer. To streamline this, these sections are now amended to allow the Assessing Officer to impose these penalties, subject to Section 274(2) i.e. requiring Joint Commissioner approval for penalties exceeding specified limits. These amendments are applicable from April 1, 2025.

Time Limit for Immunity

Section 270AA outlines the procedure for granting immunity from penalty and prosecution. Section 270AA(2) requires the application for immunity to be made within one month from the end of the month the relevant order is received. Section 270AA(4) requires the Assessing Officer to pass an order within one month from the end of the month the immunity application is received. Stakeholders have reported difficulties in presenting their case within this short timeframe. Therefore, Section 270AA(4) is being amended to extend the Assessing Officer's processing period to three months from the end of the month the application is received. This amendment is applicable from April 1, 2025.

Date Restrictions on Faceless Scheme

To facilitate electronic tax processes and reduce the taxpayer-department interface, faceless schemes under Sections 92CA, 144C, and 253 effective November 1, 2020, and Section 255 effective April 1, 2021, were introduced. The deadline for notifying these schemes, previously extended to March 31, 2025, is now proposed to be removed. This allows the Central Government to issue directions beyond this date if necessary. This amendment is applicable from April 1, 2025.

SECTION H – INDUSTRY-SPECIFIC

Extension of Tonnage Scheme to Inland Vessels

To promote the Indian shipping industry, the tonnage tax scheme in Chapter XII-G, introduced via the Finance Act, of 2004, allowed qualifying shipping companies to opt for a tonnage-based tax regime instead of the normal corporate tax regime. To boost inland water transportation, which currently lacks sufficient vessel fleets and requires higher investment, the benefits of the tonnage tax



scheme are being extended to inland vessels. Inland vessels registered under the Inland Vessels Act, 2021, are now included in Section 115VD as qualified ships. Section 115V has been amended to define inland vessels consistent with the Inland Vessels Act, of 2021. Other corresponding amendments have been made to extend the tonnage tax scheme. These amendments are applicable from April 1, 2025.

Time Limit for Order under Tonnage Tax Scheme

Section 115VP governs the tonnage tax scheme election process. Section 115VP(3) allows the Joint Commissioner to seek information/documents and approve or refuse the tonnage tax scheme option. Section 115VP(4) requires this order to be passed within one month from the end of the month the application was received. This short timeframe is often insufficient for verification, inspection, and providing a hearing. Therefore, Section 115VP(4) is being amended for applications received on or after April 1, 2025, to allow three months from the end of the quarter in which the application was received to pass the order. This amendment is applicable from April 1, 2025.

SECTION I – NON-RESIDENTS AND IFSC

Significant Economic Presence

Section 9 defines income deemed to accrue or arise in India. Section 9(1)(i) deems income accruing or arising through or from any business connection in India as Indian income. Explanation 1(b) to Section 9(1)(i) excludes income from operations confined to purchasing goods in India for export from being deemed Indian income for non-residents. However, Explanation 2A to Section 9(1)(i) states that a non-resident's significant economic presence in India constitutes a business connection, and defines significant economic presence to include transactions in goods with any person in India. This creates a conflict, potentially negating the exclusion for export-related purchases. Therefore, Explanation 2A of Section 9 is being amended to clarify that transactions or activities confined to purchasing goods in India for export will not constitute a significant economic presence. This aligns Explanation 2A with Explanation 1(b) and ensures consistent treatment of export-related purchase activities. This amendment is applicable from April 1, 2025.

Sunset Date for IFSC

To further incentivize operations at International Financial Services Centres (IFSCs) in India, the sunset dates for several tax

concessions have been extended. IFSCs are jurisdictions designed to provide financial services to non-residents and, where permitted, residents (excluding transactions in Indian Rupees). Several tax benefits have already been granted to IFSC units. The sunset dates for the commencement of operations or fund relocation for the following tax concessions are proposed to be extended to March 31, 2030. These extensions will be applicable from April 1, 2025.

Insurance Proceeds from IFSC Insurance Offices

Section 10(10D) exempts sums received under a life insurance policy, including bonuses, subject to certain conditions. This exemption also applies to policies issued by IFSC Insurance Offices. However, provisos to this clause restrict the exemption if the annual premium exceeds INR 2.5 lakh for unit-linked insurance policies or INR 5 lakh for other life insurance policies. To provide parity to non-residents purchasing life insurance from IFSC insurance offices compared to those purchasing from other foreign jurisdictions, the premium limit conditions are removed for policies issued by IFSC insurance intermediary offices. This means that proceeds from life insurance policies issued by IFSC insurance offices will be exempt under Section 10(10D) regardless of the premium amount. This amendment will be applicable from April 1, 2025.

Capital Gains and Dividends from Ship Leasing

Amendments to Section 10 of the Income Tax Act now extend IFSC tax benefits from aircraft leasing to ship leasing. Non-resident or IFSC units earning capital gains on transferring equity shares of domestic companies (also IFSC units) engaged in ship leasing are now exempt, mirroring the existing exemption under section 10(4H) for aircraft leasing. Similarly, dividends paid by a company (IFSC unit engaged in ship leasing) to another IFSC unit engaged in ship leasing are now exempt, extending the current section 10(34B) benefit for aircraft leasing dividends. This aligns with the use of SPVs for individual vessels in ship leasing, similar to aircraft leasing practices. These amendments are applicable from April 1, 2025.

Deemed Dividend in case of IFSC

Section 2(22) of the Income Tax Act, which defines dividends, has been amended to address deemed dividend implications for IFSC treasury centres. Previously, loans or advances to shareholders (holding 10% or more voting power) or related concerns by non-



public companies could be considered dividends if the company possessed accumulated profits, though loans in the ordinary course of business where money lending is a substantial part of the business were excluded. Concerns arose that borrowings by IFSC corporate treasury centres from group entities might trigger these deemed dividend provisions for shareholders. Therefore, Section 2(22) has been amended to exclude from the definition of dividend any loan or advance between two group entities, where one entity is a Finance company or Finance unit in an IFSC set up as a global or regional corporate treasury centre, and the parent or principal entity of that group entity is listed on a stock exchange outside India (excluding specified countries or territories). Conditions for group entity, principal entity, and parent entity will be prescribed. These amendments are applicable from April 1, 2025.

Simplified Regime for IFSC Fund Managers

Section 9A, concerning fund management and business connections in India, has been amended to provide a simplified regime for IFSC-based fund managers. Section 9A stipulates that fund management activity by an eligible fund manager for an eligible investment fund does not constitute a business connection in India, subject to certain conditions. One such condition, Section 9A(3)(c), limits Indian participation in the fund to 5% of the corpus. While Section 9A(8A) allows for modifications or waivers of conditions for IFSC-based fund managers commencing operations by March 31, 2024, representations highlighted the need for a more competitive regime. Therefore, Section 9A(3)(c) has been rationalized: for all eligible investment funds (regardless of the manager's IFSC location), aggregate participation will be assessed on April 1 and October 1 of the preceding year. If the 5% limit is breached on either date, the fund has four months to comply. Consequently, Section 9A(3)(c) will no longer be modified for any fund or manager. Further, conditions (a) to (m) of Section 9A can be relaxed for funds with IFSC-based managers who commenced operations for Section 9A(8A) purposes on or before March 31, 2030. These amendments are applicable from April 1, 2025.

Exempt Income for Non-Residents

Section 10(4E), concerning exempt income for non-residents, has been amended. Previously, this section excluded from total income any income accrued, arisen, or received by a non-resident from transferring non-deliverable forward contracts, offshore derivative instruments, or over-the-counter derivatives, or from income distribution on offshore derivative instruments, when these were entered into with offshore banking unit of an IFSC. To further

incentivize IFSC operations, Section 10(4E) has been amended to also exclude such income when derived from transactions with Foreign Portfolio Investors that are IFSC units, subject to prescribed conditions. This amendment is applicable from April 1, 2025.

Retail Schemes and ETFs in IFSC

To further incentivize IFSC operations, Section 47(viiad) has been amended. This section previously deemed certain transfers in fund relocations as non-transfers for capital gains calculations. Specifically, it covered transfers by a shareholder, unit holder, or interest holder of a capital asset (share, unit, or interest) in an original fund in exchange for a share, unit, or interest in a resultant fund. The resultant fund was defined as a fund established or incorporated in India, registered as a Category I, II, or III Alternative Investment Fund, located in an IFSC, and subject to certain conditions. Now, retail schemes and Exchange Traded Funds (ETFs) located in the IFSC and regulated under the International Financial Services Centres Authority Act, 2019, which were granted income exemption under Section 10(4D), are included within the definition of resultant fund for Section 47(viiad) purposes. This ensures that relocations of original funds to these retail schemes and ETFs in the IFSC are also treated as tax-neutral transactions. This amendment is applicable from April 1, 2025.

Exemptions for SWFs and PFs

Section 10(23FE), concerning exemptions for specified persons (including Sovereign Wealth Funds and Pension Funds) on certain income from Indian investments, has been amended. Previously, Section 10(23FE) exempted dividends, interest, long-term capital gains, and other specified incomes arising from investments made in India by notified SWFs and PFs meeting prescribed conditions. The investment deadline under Section 10(23FE)(i) has been extended from March 31, 2025, to March 31, 2030. Additionally, long-term capital gains (regardless of their treatment under Section 50AA, which reclassifies all capital gains from unlisted debt securities as short-term) arising from investments made in India will not be included in the total income of a specified person under Section 10(23FE). This change addresses the impact of Section 50AA amendments, which previously made long-term gains from unlisted debt taxable for SWFs and PFs. These amendments are applicable from April 1, 2025.



Presumptive Taxation for Electronics

Manufacturing

To promote India as a global hub for Electronics System Design and Manufacturing, and considering the government's semiconductor and display manufacturing ecosystem development program, a presumptive taxation regime is being introduced for non-residents providing services or technology to resident companies establishing or operating electronics manufacturing facilities (or connected facilities) in India. This applies to facilities under a scheme notified by the Ministry of Electronics and Information Technology and subject to prescribed conditions. A new Section 44BBD will be inserted, deeming 25% of the aggregate amount receivable by or payable to the non-resident for such services or technology as their profits and gains from this business. This results in an effective tax rate of under 10% on gross receipts for the non-resident company. This amendment is applicable from April 1, 2025.

SECTION J – TRUSTS

Simplification of Tax Provisions for Trusts

Section 12AB(4) allows the Principal Commissioner or Commissioner to cancel the registration of a trust or institution if they are satisfied that one or more specified violations have occurred. The explanation to this sub-section defines specified violation to include incomplete or false information in the application under Section 12A(1)(ac). It has been observed that even minor defaults, such as an incomplete application, can lead to registration cancellation and tax liability on accreted income under Chapter XII-EB. Therefore, the explanation to Section 12AB(4) is being amended to exclude incomplete applications from the definition of specified violation. This amendment is applicable from April 1, 2025.

Extended Registration Period for Trusts

Section 12AB currently allows for a 5-year registration for trusts or a 3-year provisional registration for those whose activities haven't yet commenced. Upon expiry or commencement of activities in the case of provisional registration, further registration is required. Recognizing the compliance burden this places, especially on smaller entities, the registration validity period is being extended from 5 to 10 years. This applies to trusts applying under Section 12A(1)(ac)(i) to (v) and whose total income (before Sections 11 and 12 exemptions) did not exceed INR 5 crores in each of the two previous years preceding the application year. This amendment is

applicable from April 1, 2025.

Specified Persons under Section 13(3) for Trusts

Section 13 denies Section 11 and 12 exemptions if income or property of a trust/institution is used for the benefit of specified persons listed in Section 13(3). These previously included substantial contributors (those whose total contribution up to the relevant previous year-end exceeded INR 50,000), their relatives, and concerns in which they had a substantial interest. Difficulties arose in providing details of relatives and concerns of substantial contributors other than the author, founder, trustees, or manager. Therefore, Section 13(3) is being amended. The threshold for substantial contribution is increased to contributions exceeding INR 1 lakh during the relevant previous year, or INR 10 lakh in aggregate up to that year's end. Relatives of such contributors and concerns in which they have a substantial interest will no longer be considered specified persons under Section 13(3). These amendments are applicable from April 1, 2025.

LTCG from Business Trusts

Special taxation regimes for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), collectively known as business trusts, are available to facilitate infrastructure financing and investment. These trusts invest in special purpose vehicles (SPVs) via equity or debt. Section 115UA grants pass-through status to business trusts for interest and dividend income from SPVs for both REITs and InvITs and rental income for REITs, taxing this income in the hands of unit holders unless specifically exempted. Section 115UA(2) charges the total income of a business trust at the maximum marginal rate, subject to Sections 111A and 112. To correct an omission, Section 115UA(2) is being amended to also include Section 112A, which governs tax on long-term capital gains from equity shares, equity-oriented fund units, or business trust units. This amendment is applicable from April 1, 2025.



Goods and services tax



Introduction

The Goods and Services Tax (GST) regime, a landmark indirect tax reform, has been a dynamic landscape since its implementation. While the initial years were marked by significant overhauls and adjustments, the past year has witnessed a period of consolidation and refinement, with the focus shifting towards streamlining processes and addressing implementation challenges. Businesses and taxpayers alike have been anticipating Budget 2025 with a blend of hope and expectation, seeking further simplification of the complex GST framework. Key areas of concern have included the intricacies of input tax credit utilization, the burden of compliance with return filing requirements, and the need for more efficient and transparent dispute resolution mechanisms. The government's stated commitment to enhancing the ease of doing business, coupled with the ever-present need to balance revenue generation with taxpayer convenience, has shaped the backdrop for these expectations. Stakeholders have been closely watching for signals of how the budget would address these pressing issues, particularly in light of the evolving economic climate and the need to foster a stable and predictable tax environment.

ITC on Plant and Machinery

'Plant or machinery' in section 17(5)(d) has been replaced with 'Plant and machinery'. An explanation has been added to clarify that the same is to be interpreted retrospectively overriding all judgements in this regard. Section 17(5)(d) of the GST Act deals with restrictions on Input Tax Credit (ITC). Specifically, it lists certain

situations where ITC cannot be claimed. Clause (d) previously disallowed ITC on inputs used for setting up plant or machinery. The amendment changes this wording from plant or machinery to plant and machinery. This seemingly small change has a significant impact. This change effectively nullifies a recent Supreme Court ruling in the case of Safari Retreats Private Limited. The Supreme Court had held that ITC could not be denied on plant alone under Section 17(5)(d), clarifying that the restriction applied only to immovable properties and that plant was distinct from plant and machinery. The Court even stated that a building could be considered a plant and thus eligible for ITC if it met a functionality test. Despite this ruling, the retrospective amendment, recommended by the 55th GST Council meeting, effectively overturns the Supreme Court's interpretation.

Unique Identification Marking

Section 148A mandates the use of track and trace technology (like barcodes or RFID tags) for specified goods and taxpayers, overriding other CGST Act provisions. The government will identify the specific goods and taxpayers through notifications. The goal is to prevent tax evasion by tracking goods throughout the supply chain. To facilitate a Track and Trace Mechanism, a definition of Unique Identification Marking is being added to the CGST Act. This follows the GST Council's 55th meeting recommendation to introduce Section 148A, empowering the government to implement such a system for goods susceptible to tax evasion. Non-compliance with Section 148A will result in



penalties under Section 122B, which stipulates a fine of INR 1 lakh or 10% of the disputed tax, whichever is higher, in addition to any other applicable penalties under Chapter 15 or other sections of the CGST Act. Goods commonly associated with tax evasion, such as tobacco, pan masala, scrap, plastic, and paper, are likely candidates for this tracking system, though the final list will be government-notified.

Credit Notes

Proviso to section 34(2) now requires the recipient of a credit note to reverse the corresponding ITC claimed, enabling the supplier to reduce their output tax liability. This means a supplier can only adjust their tax liability downward using a credit note if the recipient has reversed the associated ITC. This ensures that the supplier's tax reduction is valid only when the recipient no longer claims the credit. Form GSTR-3B is being automated to facilitate this process. Furthermore, the Invoice Matching System (IMS) will prevent recipients from keeping actions Pending on original credit notes or their upward/downward amendments, streamlining reconciliation between suppliers and recipients. If a credit note is used to reduce a supplier's tax liability, the recipient must reverse the corresponding ITC.

IMS Adoption

Section 38 of the CGST Act is being amended to accommodate the new Invoice Management System (IMS). The word "auto-generated" is being removed from Section 38(1) and (2) to reflect the shift away from automatic generation. Section 38(2)(b) is being amended to be more inclusive by adding including after by the recipient. Crucially, a new clause (c) is being added to Section 38(2), allowing the government to prescribe additional details for the input tax credit statement. These changes, recommended by the 55th GST Council Meeting, make the IMS mandatory for ITC reconciliation and ensure that GSTR-2B is generated based on taxpayer actions related to inward supplies. Rule 60 of the CGST Rules is also being amended. The IMS aims to streamline ITC reconciliation.

Sequential filing of returns

Section 39(1) of the CGST Act is undergoing amendments to introduce a system of conditions and restrictions on the filing of GST returns, primarily aimed at enforcing sequential and timely filing. This amendment empowers the government to prescribe specific conditions and restrictions related to return filing. A key change is the linkage between tax payment and GSTR-3B filing. Rule 59(6) of the CGST Rules is being modified to stipulate that

taxpayers who have failed to pay their taxes for a preceding tax period will be restricted from filing Form GSTR-3B for the current tax period. Further restrictions are being placed on GSTR-1 filing. Rule 37 is being amended to ensure sequential GSTR-1 filings. Taxpayers will not be permitted to file GSTR-1 for the current tax period unless they have already filed GSTR-1 for the immediately preceding tax period. In addition, a time limit is being imposed for belated GSTR-1 filings. Effective from October 1, 2023, belated GSTR-1 filings will be capped at three years from the due date. To further strengthen the reconciliation process, provisions are being put in place to address mismatches between GSTR-1 and GSTR-3B. Any discrepancies identified between the two forms will trigger notices under Section 75(12) of the CGST Act, read with Rule 88C of the CGST Rules. These notices will prompt taxpayers to explain the discrepancies and take corrective action. The sequence is crucial for ensuring proper reconciliation between the outward supplies declared in GSTR-1 and the summary of inward and outward supplies along with tax liability declared in GSTR-3B.

Deposit for appeals

The proviso to Section 107(6) of the CGST Act is now amended to revise the mandatory pre-deposit requirement for appeals to the Appellate Authority in cases where only a penalty is demanded, and no tax is due. The GST Council, in its 55th meeting, recommended reducing this pre-deposit from 25% to 10%. While this appears to be a reduction, it's crucial to understand the context. Previously, the 25% pre-deposit applied specifically to appeals against penalties under Section 129(3) for e-way bill violations (which carried a 200% penalty), effective from January 1, 2022. However, many penalties are levied under other sections, such as Sections 122 and 122(1A), for various offences. A recent Supreme Court judgment in the case of Shantanu Sanjay Hundekari highlighted the potential issues with penalty notices, even those involving substantial amounts. The amended Section 107(6) now mandates a 10% pre-deposit of the disputed penalty amount for all appeals involving penalties.

Warehousing in SEZs and FTWZs

Schedule III of the CGST Act is being amended, retrospectively from July 1, 2017, to clarify the tax treatment of goods warehoused in Special Economic Zones (SEZs) or Free Trade Warehousing Zones (FTWZs). A new Entry (aa) is being added to paragraph 8, stating that the supply of goods within an SEZ or FTWZ, before clearance for export or to the Domestic Tariff Area (DTA), will be treated as neither a supply of goods nor a supply of services. Explanation 2 is being amended, also retrospectively from July 1,



2017, to clarify its applicability to entry (a) of paragraph 8. Explanation 3 is being added to define Special Economic Zone, Free Trade Warehousing Zone, and Domestic Tariff Area for the new entry (aa). These changes, recommended by the 55th GST Council Meeting, align SEZ/FTWZ warehousing transactions with the existing treatment of goods in customs-bonded warehouses. Such transactions will not be subject to GST until the goods are cleared for consumption or export. While the amendment clarifies that no GST was applicable on these transactions from July 1, 2017, it also states that no refunds will be provided for any tax already collected.

Reverse Charge in case of ISD

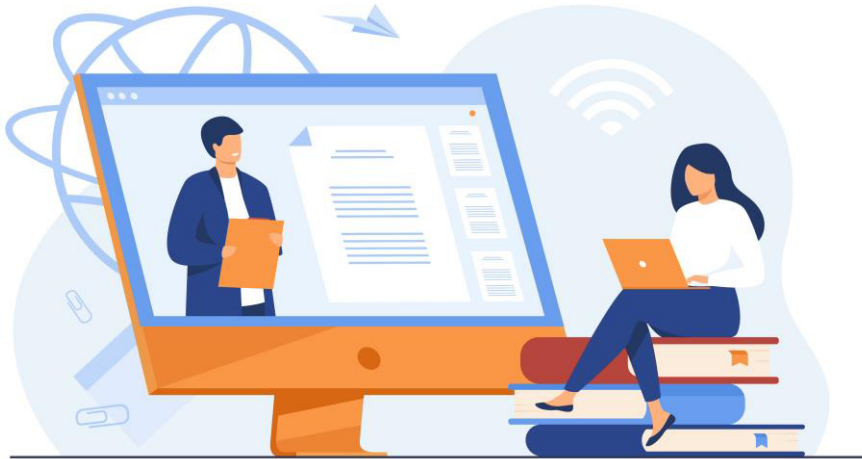
Effective April 1, 2025, ISD can distribute ITC for inter-state supplies under reverse charge. ISD will now be able to pay GST under reverse charge for inter-state common input services and distribute the ITC among distinct persons under the same PAN.

Time of Supply of Vouchers

Section 12(4) has been omitted to remove the time of supply provisions for vouchers. Vouchers are either money or actionable claims and are neither treated as goods nor services and therefore, not subject to GST. Issuance or transfer of vouchers will not be taxable.



Customs and foreign trade



Introduction

In the lead-up to India's Union Budget 2025, stakeholders anticipated significant reforms in customs laws to bolster domestic manufacturing, enhance global competitiveness, and simplify trade processes. The government's focus was expected to be on rationalizing customs duty structures, reducing import costs for raw materials, and providing incentives for key industries. These expectations were set against a backdrop of India's efforts to strengthen trade relations, particularly with the United States, and address trade imbalances. Recent developments, such as tariff reductions on specific imports and commitments to increase purchases of US goods, underscored India's proactive approach to integrating its economy with global markets and responding to international trade dynamics.

Provisional assessment of duty

Section 18 now mandates the proper officer to finalize provisionally assessed duties within 2 years from the date of assessment, a significant shift from the previous system lacking a statutory time limit. This timeframe can be further extended by 1 year by the Principal Commissioner/Commissioner of Customs for valid reasons. Pending legal processes, appeals, stay orders, Board directions, or Settlement Commission applications, are exempt from this timeline. Current rules outline a two-month timeframe for finalizing provisional assessments, however, this period is calculated from the date the importer/exporter provides notification instead of the date of the provisional assessment itself.

This discrepancy has been addressed now. This amendment effectively shifts the onus onto the customs department to complete investigations promptly when goods are released under provisional assessment.

Voluntary Post-Clearance Entry Revisions

A new section 18A has been added to enable importers and exporters to voluntarily revise entries in Bills of Entry or Shipping Bills after goods have been cleared. This provision, overriding Section 149, allows for self-correction of entries, including self-assessment of any duty adjustments. If the revision results in short-levied or unpaid duty, the importer/exporter must voluntarily pay the difference along with applicable interest. Conversely, overpaid duties resulting from the revision are treated as a refund claim. While this empowers businesses to rectify errors, the proper officer retains the right to verify the revised entry and self-assessment, particularly in cases flagged through risk evaluation, and can re-assess the duty if necessary. This voluntary revision mechanism is not available in cases where investigations, audits, searches, seizures, or summons have already been initiated, or where reassessment/assessment has already been conducted by the customs officer, or in any other situation specified by the Board. This change streamlines the correction process, reducing reliance on appeals or Section 149 rectifications for inadvertent errors or incorrect self-assessments, while maintaining oversight through departmental scrutiny and preventing misuse.



Refund or Recovery in case of revision

Explanation of Section 27 clarifies the timeline for refund claims related to voluntary post-clearance revisions under the new Section 18A. The amendment specifies a one-year limitation period for refund claims arising from revised entries or document amendments and the same will be calculated from the date of duty or interest payment. Similarly, Section 28 stipulates that when duty or interest is paid following a voluntary revision of entry under Section 18A, the date of that payment will be considered the relevant date for determining the timeline for issuing a show cause notice (SCN) under Section 28.

Transition from Settlement Commission

The settlement process for customs cases is being restructured by replacing the Settlement Commission with an Interim Board, aligning with similar changes in Central Excise. Effective April 1, 2025, the Settlement Commission will cease to accept new applications. All pending applications received before this date and admitted by the Commission will be transferred to the Interim Board, which will handle them from their current stage. The Interim Board, likely composed of Chief Commissioners or above, will operate under modified procedures, essentially stepping into the shoes of the Settlement Commission for these pending cases. This transition is facilitated by amendments to Sections 127A, 127B, 127C, 127D, 127F, 127G, and 127H of the Customs Act. The Interim Board can also extend certain timelines for pending applications.

Changes in IGCR Rules

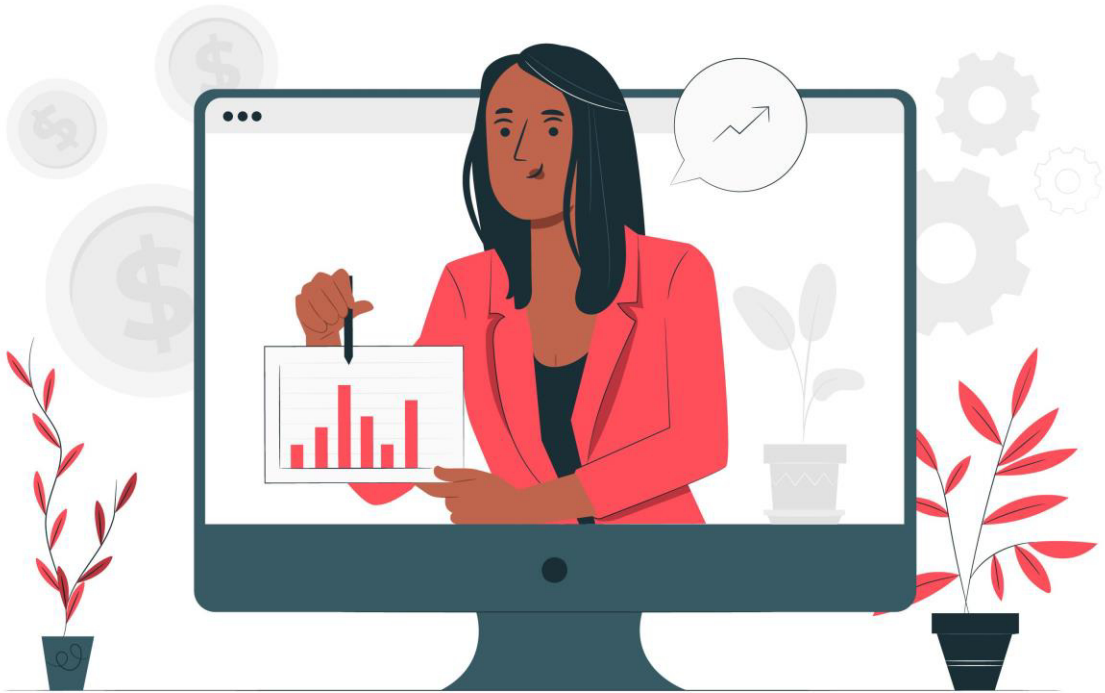
The period for utilizing imported goods for their intended purpose has been increased from six months to one year, giving manufacturers more flexibility. Further, importers are now required to submit a quarterly statement instead of a monthly one, reducing the frequency of reporting and easing compliance requirements.

Changes in Customs Duty

1. **Life-Saving Drugs Exemptions** - 36 life-saving drugs have been moved to the fully exempt category, and customs duty on six additional drugs has been reduced to 5%. This includes critical medications for cancer, Pompe disease, and severe asthma, making treatments more affordable.
2. **Support for Patient Assistance Programs (PAPs)** - Full customs duty exemptions have been extended to 37 additional medicines under PAPs, benefiting financially vulnerable patients. Thirteen new PAPs have also been

recognized.

3. **EV and Mobile Phone Batteries** - Exemptions on 35 capital goods for EV battery production and 28 for mobile phone battery manufacturing, promoting lithium-ion battery production.
4. **Critical Minerals** - Full exemptions on cobalt powder, lithium-ion battery waste, lead, zinc, and 12 other critical minerals to ensure a stable supply chain.
5. **Textiles** - Two shuttle-less looms added to the exempted textile machinery list; BCD on knitted fabrics revised to 20% or INR 115 per kg to support technical textiles.
6. **Leather** - Removal of 20% export duty on crust leather and full exemption of BCD on wet blue leather to facilitate imports and domestic processing.
7. **Electronics & Displays** - BCD on Interactive Flat Panel Displays increased from 10% to 20%, while Open Cell and related components now have a 5% duty to correct the inverted duty structure.
8. **Shipbuilding & Shipbreaking** - BCD exemption on raw materials and components extended for 10 years to reduce production delays and enhance competitiveness.
9. **Telecom Equipment** - BCD on carrier-grade Ethernet switches reduced from 20% to 10% to align with non-carrier-grade switches and prevent classification disputes.
10. **Handicrafts** - The export period extended from 6 months to 1 year, with a 3-month extension if needed; nine more handicraft items are now eligible for duty-free inputs.
11. **Seafood Industry** - BCD on frozen fish paste was reduced from 30% to 5%, and duty on fish hydrolysate was lowered from 15% to 5% to boost competitiveness.
12. **MRO Services** - The export period for foreign-origin goods imported for repairs is extended from 6 months to 1 year, with an additional 1-year extension, benefiting maintenance, repair, and overhaul (MRO) services, including railway goods.



ECONOMIC SURVEY

A day before presenting the budget, the Finance Minister presents the Economic Survey of the country. This is a review document that provides information on key developments in the economy over the past 12 months. It also highlights the policy initiatives, the performance of development programs, and the prospects of the economy. This document is prepared by the Ministry of Finance and the Department of Economic Affairs. The survey analyses the economic issues and provides reasons for the same. It is segmented into two parts where Part A consists of major economic developments in the year and a broad review of the economy, while Part B covers specific issues such as social security, poverty, education, healthcare, human development, and climate. The economy survey also provides useful insights into the country's growth outlook, inflation rate and projection, forex reserves, and trade deficits.



India – “Getting back into the fast lane”

State of the Economy

Global Economy

- ✓ The International Monetary Fund (IMF) has projected global economic growth to be 3.2% in 2024, with a slight increase to 3.3% in 2025.
- ✓ Inflation has eased worldwide, but the cost of services remains persistently high, creating challenges for central banks. As a result, monetary policies have diverged across different economies, with some central banks maintaining tight policies while others have begun easing interest rates.

Geopolitical Uncertainties

- ✓ The Russia-Ukraine war and the Israel-Hamas conflict have disrupted trade routes, affected energy security, and contributed to inflationary pressures.
- ✓ The disruption in the Suez Canal has further exacerbated global trade challenges. Due to security concerns, many shipping companies have been forced to reroute vessels via the Cape of Good Hope, significantly increasing freight costs and extending delivery times.

India's Economy

- ✓ India's economy is expected to continue its strong growth trajectory, with GDP projected to grow between 6.3% and 6.8% in FY26. For FY25, the real Gross Value Added (GVA) is estimated to expand by 6.4%, reflecting broad-based economic resilience across key sectors.

Sector-Wise Performance

- ✓ The agricultural sector is forecasted to grow by 3.8% in FY25, supported by record Kharif crop production and robust rural demand.
- ✓ The industrial and manufacturing sectors are expected to grow at a rate of 6.2% in FY25. However, manufacturing activity has shown signs of slowing due to weak global demand and lingering supply chain issues.
- ✓ The services sector continues to be the fastest-growing segment of the Indian economy, with an anticipated growth rate of 7.2% in FY25.

External Sector Performance

- ✓ India's external sector has displayed mixed performance in recent months. In the first nine months of FY25, total exports (including both merchandise and services) increased by 6% year-on-year (YoY). The growth in the services sector was particularly strong, recording an 11.6% increase during the same period.
- ✓ Merchandise exports saw only a modest 1.6% growth, while imports rose by 5.2%, leading to a widening trade deficit. Despite this, India has maintained its position as the world's top recipient of remittances, which has played a crucial role in containing the current account deficit (CAD) at 1.2% of GDP.

Money and Finance – Stability is the watchword

Banking sector

- ✓ The Indian banking sector demonstrated remarkable improvement in asset quality, with the Gross NPA ratio of



Commercial Banks declining to a 12-year low of 2.6% in 2024. This decline reflects enhanced credit discipline, improved recovery mechanisms, and a robust regulatory framework. Similarly, the Net NPA ratio also saw a significant reduction, reaching 0.6%, reinforcing the overall financial stability of the banking system.

- ✓ The profitability of banks improved substantially, as evidenced by the rise in key financial indicators. The Return on Assets for banks increased to 1.4% as of September 2024, indicating greater efficiency in asset utilization. Additionally, the Return on Equity improved to 14.1%.

Financial inclusion

- ✓ Financial inclusion efforts continued to gain momentum, as reflected in the rise of the Reserve Bank of India's (RBI) Financial Inclusion Index. The index improved from 53.9 in 2021 to 64.2 in 2024, underscoring the expansion of banking services and accessibility across rural and semi-urban areas. Regional Rural Banks (RRBs) played a crucial role in this progress.
- ✓ To support economic growth while ensuring financial stability, the RBI maintained the policy repo rate at 6.5%. At the same time, the central bank reduced the Cash Reserve Ratio (CRR) to 4%, which effectively injected INR 1.16 lakh crore into the banking system.
- ✓ The money multiplier, a key indicator of liquidity in the financial system, rose to 5.7 in 2024. This increase suggests improved banking efficiency and higher credit availability.
- ✓ The capital markets experienced robust activity, with funds worth INR 11.1 lakh crore mobilized in the primary market between April and December 2024. This marked a 5% increase compared to the previous fiscal year, indicating strong investor confidence and a deepening financial market. Notably, the Initial Public Offering (IPO) market witnessed significant growth, with funds raised through IPOs tripling to Rs 1.53 lakh crore during the same period.

Infrastructure financing

- ✓ Development Financial Institutions (DFIs) continued to play a pivotal role in financing infrastructure projects, contributing to long-term economic growth. Institutions such as the National Bank for Financing Infrastructure and Development (NaBFID) and the India Infrastructure Finance Company Limited (IIFCL) provided significant financial support to critical infrastructure initiatives. NaBFID alone sanctioned INR 1.3 lakh crore in loans.

External Sector – Stability Amid Plenty

Developments

- ✓ India's external sector demonstrated resilience in 2024 despite global economic uncertainties and disruptions in international trade. Total exports, including both merchandise and services, recorded a 6% growth, reaching USD 602.6 billion.
- ✓ At the same time, India's imports grew by 6.9%, amounting to USD 682.2 billion. This rise reflects strong domestic demand, particularly for capital goods, electronic components, crude oil, and other essential commodities.

Global Trade Challenges

- ✓ Global trade in 2024 faced multiple challenges, primarily due to rising trade policy uncertainty, protectionist measures, and disruptions in key shipping routes. Notably, geopolitical tensions and security risks in the Red Sea led to significant delays and increased shipping costs for goods transiting through the Suez Canal. Additionally, the Panama Canal drought restricted vessel movements, further complicating global supply chains.
- ✓ In response to these uncertainties, many economies, including India, began shifting towards friend-shoring and near-shoring strategies. These approaches prioritize strengthening trade ties within geopolitical alliances and



diversifying supply chains to reduce dependence on politically sensitive regions. India capitalized on this trend by expanding trade partnerships with countries that share strategic interests.

Capital Flows

- ✓ Foreign Portfolio Investments (FPIs) in India experienced fluctuations throughout 2024 due to global uncertainties, including interest rate movements in advanced economies, inflationary pressures, and shifts in investor sentiment. However, India's strong macroeconomic fundamentals, stable growth outlook, and ongoing structural reforms helped maintain a positive overall inflow of FPIs.

Foreign Exchange Reserves

- ✓ India's foreign exchange reserves stood at USD 640.3 billion as of December 2024, reflecting a strong external buffer against potential global financial shocks. These reserves provided a solid safeguard against currency volatility and ensured the stability of the Indian rupee in international markets.
- ✓ The country's external debt reached USD 711.8 billion by September 2024, with foreign exchange reserves covering approximately 90% of the total external debt.

Prices and Inflation – Under Control

Global Inflation

- ✓ Inflationary pressures at the global level showed a notable decline in 2024 after peaking at 8.7% in 2022. The earlier surge in inflation was primarily driven by supply chain disruptions, high energy prices, and geopolitical tensions that led to increased costs for essential goods and services. However, by 2024, global inflation had moderated to 5.7%, largely due to monetary tightening measures implemented by central banks worldwide.
- ✓ Despite this decline, global inflation remained above pre-pandemic levels, as lingering supply chain bottlenecks, persistent geopolitical uncertainties, and climate-related disruptions continued to influence commodity prices.

Domestic Inflation

- ✓ India's domestic inflation followed a similar easing trend, with retail inflation (Consumer Price Index - CPI) declining from 5.4% in FY24 to 4.9% in FY25. This moderation was attributed to proactive monetary policy by the Reserve Bank of India (RBI), improved supply chain conditions, and government interventions aimed at stabilizing prices for essential commodities.
- ✓ However, food inflation witnessed an upward trend, rising from 7.5% in FY24 to 8.4% in FY25. The increase in food prices was largely driven by volatile vegetable prices, particularly tomatoes and onions, as well as pulses, which saw significant price hikes due to lower domestic production and supply chain disruptions. Weather-related factors, including erratic monsoons and heatwaves, further exacerbated supply constraints.
- ✓ Overall, the Consumer Price Index (CPI) remained volatile, reflecting the combined impact of supply chain disruptions, changing weather patterns, and global commodity price fluctuations. The government continued to implement measures such as export restrictions on select food items, subsidy programs, and supply-side interventions to contain inflationary pressures.

Core Inflation

- ✓ A notable development in 2024 was the sharp decline in core inflation, which excludes volatile food and fuel prices. Core inflation reached a 10-year low, signalling reduced price pressures in the services sector and a decline in fuel-related inflation. The easing of global crude oil prices, stable transportation costs, and improved efficiency in energy



markets contributed to the decline in fuel price inflation.

Future Outlook

- ✓ The Reserve Bank of India (RBI) revised its inflation forecast for FY25 from 4.5% to 4.8%, reflecting the risks posed by food price volatility and external supply chain disruptions. However, the central bank expects inflation to decline further to 4.2% in FY26, assuming stable global economic conditions and improved supply-side management.
- ✓ The International Monetary Fund (IMF) projected India's inflation at 4.4% in FY25 and 4.1% in FY26, aligning with expectations of continued disinflationary trends. These projections suggest that while inflation remains a key macroeconomic concern, monetary policy adjustments, structural reforms, and supply-side interventions are expected to contribute to a gradual return to price stability over the medium term.

Medium-Term Outlook – A Growth Vision for New India

Economic Milestones

- ✓ India's economic trajectory remains strong, with the International Monetary Fund (IMF) projecting the country to achieve a USD 5 trillion economy by FY28 and further expand to USD 6.3 trillion by FY30. This growth is expected to be driven by robust domestic consumption, increasing investments in infrastructure, expanding digital and service sectors, and favourable demographic trends.
- ✓ The country's nominal GDP is projected to grow at an average rate of 10.2% per year during FY25-FY30, reflecting strong macroeconomic fundamentals, rising productivity, and deepening financial markets. The manufacturing, services, and technology sectors will play pivotal roles in sustaining this high-growth momentum.

Growth Rate

- ✓ India's long-term economic vision, encapsulated in the Viksit Bharat 2047 goal, aims to transform the nation into a developed economy by its 100th year of independence. To achieve this ambitious target, India must sustain an annual GDP growth rate of 8% over the next two decades.
- ✓ Key enablers are infrastructure development, manufacturing and export growth, financial sector deepening, technological advancements, and renewable energy transition.

Risks to Growth

- ✓ Rising geopolitical tensions and the restructuring of global trade alliances could disrupt supply chains and affect India's exports and foreign investment inflows.
- ✓ Increasing trade barriers, especially in key markets such as the United States and the European Union, could pose challenges for India's export-driven sectors.
- ✓ China continues to lead in global manufacturing, battery technology, and renewable energy production, posing a competitive challenge to India's industrial growth and green energy ambitions.
- ✓ Dependence on global supply networks for critical components, including semiconductors and rare earth elements, exposes India to external shocks.
- ✓ To mitigate these risks, India is focusing on supply chain diversification, trade agreements with key partners, and domestic production capacity expansion under its self-reliance strategy.

IMF Forecasts

- ✓ The IMF projects India's real GDP to grow at an average rate of 6.5% annually from FY26 to FY30, reflecting sustained economic expansion supported by private consumption, investment inflows, and policy-driven structural improvements. While this growth rate is strong compared to global standards, reaching the 8% target necessary



for Viksit Bharat 2047 will require policy enhancements and productivity gains across sectors.

- ✓ The Current Account Deficit (CAD) is expected to rise to 2.2% of GDP by FY30, largely due to higher imports of capital goods, energy resources, and technology components. While a widening CAD can signal increased investment-led growth, it also underscores the need for higher export competitiveness and stronger foreign direct investment (FDI) inflows.

Rupee Stability and Exchange Rate Outlook

- ✓ The Indian rupee is projected to depreciate mildly at an average rate of 0.5% per year over the medium term. This relatively modest depreciation suggests greater economic stability compared to previous decades when currency fluctuations were more volatile.
- ✓ Strong Foreign Exchange Reserves are providing a buffer against external shocks and capital outflows. Increased FDI and Portfolio Investments are supporting foreign exchange inflows and strengthening investor confidence. Improving the Trade Balance is a push for domestic manufacturing and service exports helping offset rising imports.

Infrastructure – Lifting Potential Growth

Development

- ✓ India has made significant strides in infrastructure development and investment-led growth, with capital expenditure (Capex) witnessing a strong 38.8% compound annual Growth Rate (CAGR) from FY20 to FY24. This rapid increase in public investment underscores the government's commitment to modernizing infrastructure, enhancing connectivity, and driving economic expansion.
- ✓ National Infrastructure Pipeline (NIP) - A comprehensive plan to invest over INR 111 lakh crore across key sectors such as transportation, energy, and urban development, aiming to bridge infrastructure gaps by 2025.
- ✓ National Monetisation Pipeline (NMP) - A structured program to unlock the value of public assets, attracting private sector investments in sectors like roads, railways, airports, and energy.

Infrastructure

- ✓ India's railway infrastructure saw substantial expansion in 2024, with 2,031 km of new railway network commissioned between April and November 2024. This expansion includes new railway lines, electrification projects, and track-doubling initiatives to enhance connectivity and efficiency.
- ✓ Indian Railways introduced 17 new Vande Bharat trains, further advancing high-speed rail connectivity.
- ✓ Under the Bharatmala Pariyojana, national highway construction reached 6,215 km in 2024. The project focuses on expanding road networks, decongesting key transport corridors, and improving logistics efficiency.
- ✓ The UDAN Regional Connectivity Scheme continues to boost regional air travel, with 619 operational air routes as of 2024.
- ✓ India's port capacity has expanded under the Sagarmala Programme, which focuses on coastal and inland waterway development. A landmark achievement in 2024 was the launch of the Vadhavan Mega Port, one of India's largest upcoming deep-sea ports.

Energy Sector

- ✓ India's energy infrastructure has witnessed significant progress, with total installed power capacity reaching 456.7 GW in 2024. A key highlight is the growth of renewable energy, which now accounts for 209.4 GW (47% of the total capacity).
- ✓ Solar and wind energy projects have expanded nationwide, aligning with India's commitment to achieving 500 GW of non-fossil fuel capacity by 2030 under the Paris Agreement.



- ✓ Grid modernization and transmission network upgrades have improved energy efficiency and reliability, ensuring uninterrupted power supply to industries and households.
- ✓ India has rapidly expanded its digital infrastructure, making significant progress in 5G network deployment and rural broadband connectivity. 5G services now cover 779 districts, providing high-speed internet and enabling digital transformation in sectors such as healthcare, education, and manufacturing.
- ✓ BharatNet, the world's largest rural broadband initiative, has connected 2.14 lakh Gram Panchayats with fibre-optic internet, improving digital accessibility in remote villages and fostering rural entrepreneurship.

Rural Development

- ✓ Pradhan Mantri Awas Yojana (PMAY): 1.18 crore houses sanctioned across urban and rural areas, providing affordable housing for millions.
- ✓ Jal Jeevan Mission: 15.3 crore rural households (79.1%) now have access to tap water, significantly improving water security and sanitation.
- ✓ Under the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and SAUBHAGYA schemes 18,374 villages have been electrified, ensuring energy access to remote regions. 2.9 crore households have been connected to the national power grid, promoting rural development and industrialization.
- ✓ The Swachh Bharat Mission (Phase II) continues to drive sanitation improvements. In 2024, 1.92 lakh villages were declared Open Defecation Free (ODF) Plus, taking the total count to 3.64 lakh ODF Plus villages. The mission focuses on solid and liquid waste management, ensuring sustainable sanitation practices in rural areas.

Space and Technology

- ✓ India has emerged as a global space leader, operating 56 active space assets, including satellites for communication, navigation, and remote sensing.
- ✓ The government has laid out Space Vision 2047, an ambitious plan to strengthen India's presence in space exploration, with key upcoming missions such as Gaganyaan (India's first human spaceflight mission) to be launched soon, positioning India as a spacefaring nation. Chandrayaan-4 and future lunar missions, advancing India's capabilities in lunar exploration.

Industry and Manufacturing

Developments

- ✓ India's industrial sector is poised for steady expansion, with an estimated growth rate of 6.2% in FY25, according to first advance estimates. This growth is largely fueled by strong performance in electricity, construction, and manufacturing, highlighting rising industrial activity and increasing domestic demand.
- ✓ The government's proactive approach to modernizing manufacturing through Smart Manufacturing and Industry 4.0 has played a crucial role in driving industrial growth. Through initiatives such as SAMARTH Udyog (Smart Advanced Manufacturing and Rapid Transformation Hubs), India is accelerating the adoption of automation, artificial intelligence, and data-driven manufacturing processes to enhance productivity and global competitiveness.

Key Growth Sectors

- ✓ The steel sector has experienced steady growth, with production increasing by 3.3% between April and November of FY25. This rise is attributed to higher infrastructure spending, expanding construction activities, and growing demand from the automotive and real estate sectors.
- ✓ India's electronics industry has witnessed remarkable expansion, with total electronics output reaching INR 9.52 lakh



crore in FY25. A significant milestone in this sector is 99% of smartphones being manufactured domestically, drastically reducing India's reliance on imports.

Innovation

- ✓ India's innovation ecosystem continues to strengthen, with the country ranking sixth among the top 10 patent-filing offices globally, according to the World Intellectual Property Organization (WIPO) Report 2022.
- ✓ For the first time in history, resident patent filings accounted for over 55.2% of total submissions in India, reflecting an increasing focus on domestic innovation, R&D investment, and startup-driven technological advancements.

MSMEs

- ✓ The MSME sector remains a vital component of India's industrial landscape, employing 23.24 crore people and contributing significantly to GDP.
- ✓ Over 2.39 crore MSME businesses have been formalized under the Udyam Assist initiative, facilitating easier access to finance, markets, and technology.
- ✓ Recognizing the potential of high-growth MSMEs, the government launched the Self-Reliant India Fund, aimed at providing equity funding to businesses with significant expansion potential. The fund is designed to support startups and mid-sized MSMEs in scaling operations, adopting technology, and competing globally.

Services – Fuelling Growth Opportunities

Developments

- ✓ India's services sector continues to be the largest contributor to economic activity, accounting for 55% of Gross Value Added (GVA) in FY25, up from 50.6% in FY14. This sector not only plays a crucial role in GDP growth but also serves as a catalyst for manufacturing expansion through servicification—the process of integrating services into industrial production and supply chains.
- ✓ Employing nearly 30% of the workforce, the services sector remains a key driver of job creation, fostering high-value employment opportunities in areas such as information technology, financial services, real estate, and tourism.
- ✓ India has established itself as a major player in the global services market, ranking 7th in the world for services exports, with a 4.3% share of total global services trade.
- ✓ The country's IT, business process outsourcing (BPO), financial services, and consulting sectors have been instrumental in securing this position.

Digital Services

- ✓ The information and computer-related services sector has seen remarkable expansion, growing at a compound annual Growth Rate (CAGR) of 12.8% from FY13 to FY23.
- ✓ The sector's contribution to GVA increased from 6.3% in FY13 to 10.9% in FY23, reflecting India's growing dominance in digital services, artificial intelligence, cloud computing, and cybersecurity.
- ✓ India remains a global leader in software exports, with IT giants such as TCS, Infosys, and Wipro driving innovation and digital transformation worldwide.

Transport

- ✓ India's railway network continues to expand, with both passenger and freight traffic registering growth in FY24: Passenger traffic increased by 8%, reflecting rising travel demand post-pandemic. Freight movement rose by 5.2%, driven by increased industrial production, agricultural transport, and e-commerce logistics.



Tourism

- ✓ India's tourism industry rebounded significantly, contributing 5% to GDP in FY23. The revival was fueled by: Increased domestic and international travel, with enhanced airport infrastructure and visa facilitation. Rising demand for eco-tourism, spiritual tourism, and adventure tourism, making India a diverse travel destination.
- ✓ The success of flagship initiatives like 'Dekho Apna Desh' and the PRASHAD scheme, which promote domestic tourism and heritage site development.
- ✓ India's real estate sector has witnessed an 11-year high in property sales in H1 FY25, reflecting strong demand for residential, commercial, and industrial spaces. Urban housing demand surged, driven by rising disposable incomes and affordable financing options.
- ✓ Office space absorption increased, with multinational corporations and startups expanding operations in key metro cities. Government initiatives like PMAY (Pradhan Mantri Awas Yojana) and affordable housing schemes have further fueled real estate investments.

Telecom

- ✓ India's telecom sector continues to be one of the largest and fastest-growing in the world, with 1.18 billion subscribers as of FY25. The sector is a key enabler of digital transformation, financial inclusion, and e-governance initiatives.
- ✓ India leads globally in mobile data consumption, driven by affordable data plans, increased smartphone penetration, and expanding 5G network coverage.
- ✓ The rollout of 5G services across 779 districts has enhanced high-speed internet access, supporting the growth of e-commerce, digital banking, and smart city solutions.
- ✓ BharatNet's rural broadband expansion has connected over 2.14 lakh Gram Panchayats, bridging the urban-rural digital divide.

Agriculture and Food Management

Developments

- ✓ India's agriculture sector remains a critical pillar of the economy, contributing 16% to GDP in FY24 and serving as the primary livelihood source for 46.1% of the population. With a steady annual growth rate of 5% between FY17 and FY23, the sector continues to expand, driven by technological advancements, policy support, and diversification into allied activities such as fisheries and livestock farming.
- ✓ In 2024, India's Kharif foodgrain production reached 1,647 lakh metric tonnes (LMT), marking a significant year-on-year increase of 89.37 LMT.
- ✓ Fisheries production surged to 184 LMT in 2024, reflecting the rapid expansion of aquaculture and inland fisheries. Livestock farming grew at a CAGR of 12.99%, driven by higher demand for dairy, poultry, and meat products.
- ✓ The dairy industry, a major component of the livestock sector, remains the largest in the world, with India being a leading producer of milk and dairy products.

Strengthening Farmer Profitability

- ✓ The government raised the Minimum Support Price (MSP) for Arhar (pigeon pea) and Bajra (pearl millet) by 59% and 77%, respectively, in FY25.
- ✓ The Kisan Credit Card (KCC) scheme has facilitated greater access to credit, with 7.75 crore active accounts.
- ✓ The Pradhan Mantri Fasal Bima Yojana (PMFBY) has significantly expanded its coverage, with 4 crore farmers enrolled under the scheme in FY24. 600 LMT hectares of farmland insured, reducing financial risks from droughts, floods, and pest attacks.



Agricultural Infrastructure

- ✓ 55% of India's net sown area is currently irrigated, with ongoing efforts to enhance water use efficiency through micro-irrigation programs. However, nearly two-thirds of India's farmland remains vulnerable to drought, necessitating increased investment in rainwater harvesting and groundwater recharge projects, expansion of Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) to improve irrigation efficiency, and adoption of climate-smart agricultural techniques to sustain productivity in rain-fed regions.
- ✓ The electronic National Agriculture Market (e-NAM) has revolutionized agricultural trade by connecting 1.78 crore farmers and 2.62 lakh traders (as of October 2024) across multiple states.

Food Security

- ✓ Under PMGKAY, the government continues to provide free food grains to 80 crore people, reinforcing India's commitment to food security.
- ✓ India's food processing industry has witnessed significant expansion, contributing to total food processing exports of USD 46.44 billion in FY24, making up 23.4% of total agri-food exports. 11.7% share of India's total exports, reflecting the sector's rising global competitiveness.

Climate and Environment

Developments

- ✓ India has increased its commitment to climate adaptation and sustainability, recognizing the urgent need to mitigate climate risks while ensuring energy security. The country's climate adaptation spending has risen from 3.7% to 5.6% of GDP between FY16 and FY22, reflecting significant investment in disaster resilience, sustainable infrastructure, and clean energy development.
- ✓ The Lifestyle for the Environment (LiFE) initiative, launched by India, has gained global recognition for promoting sustainable consumption and responsible resource use.
- ✓ According to estimates, if adopted widely, the LiFE initiative has the potential to generate global savings of USD 440 billion by 2030 through lower consumption of energy and raw materials, reduced commodity prices due to improved resource efficiency and minimized waste and pollution, contributing to better environmental and economic outcomes.

Renewable Energy Growth & Emission Reductions

- ✓ India is making rapid strides in expanding its renewable energy capacity, aiming to achieve its target of 50% non-fossil fuel-based power generation by 2030. As of 2024,
- ✓ 46.8% of India's total power capacity comes from non-fossil sources, including solar, wind, hydro, and nuclear energy.
- ✓ The nation remains on track to meet its Nationally Determined Contributions (NDCs) under the Paris Agreement, focusing on reducing carbon intensity and enhancing green energy adoption.
- ✓ In addition to power generation, India's forest carbon sink has increased by 2.29 billion tonnes of CO₂ equivalent between 2005 and 2023, demonstrating:

Climate finance and global cooperation

- ✓ Despite progress in climate action, global financing remains a critical challenge. The Conference of Parties (COP) 29 failed to secure adequate climate finance, revealing a major gap between pledged and required funds.
- ✓ The current climate finance goal stands at USD 300 billion annually. However, the estimated financing needed to address climate change globally is between USD 5.1 trillion to 6.8 trillion by 2030.



- ✓ Recognizing this funding shortfall, India has taken proactive steps to mobilize domestic resources. In FY24, the country issued USD 20,000 crore in Sovereign Green Bonds.

Sustainable development

- ✓ India has launched the Mangrove Initiative for Shoreline Habitats & Tangible Incomes (MISHTI), which aims to restore 22,560 hectares of mangrove forests across 13 states and Union Territories.
- ✓ Under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0, the government has approved 3,078 water body rejuvenation projects, aimed at restoring natural water cycles.
- ✓ To accelerate India's transition to solar power, the PM Surya Ghar initiative has installed 7 lakh rooftop solar systems in residential areas and has set an ambitious goal of covering 1 crore households with rooftop solar panels, reducing dependence on fossil-fuel-based electricity.
- ✓ While India is committed to renewable energy expansion, coal remains the country's primary energy source due to its availability and affordability.
- ✓ The nation operates 65,290 MW of supercritical coal power plants, ensuring higher efficiency and lower emissions per unit of electricity generated. The government is phasing out older, less efficient thermal plants to reduce environmental impact.
- ✓ To create a balanced and sustainable energy mix, India is actively investing in Nuclear energy expansion, with new reactors being commissioned to enhance baseload power generation and green hydrogen production, which is expected to play a crucial role in decarbonizing industries like steel, cement, and transportation; and Bioenergy initiatives, leveraging agricultural waste and biomass to generate clean power and reduce rural air pollution.

Social Sector

Income Equality

- ✓ India's social sector spending has witnessed robust growth, reflecting the government's commitment to inclusive development and poverty alleviation. Between FY21 and FY25, social sector spending grew at a compound annual Growth Rate (CAGR) of 15%, reaching INR 25.7 lakh crore in FY25.
- ✓ The Gini coefficient, a key measure of income inequality, has shown a notable decline, indicating improved wealth distribution and reduced income disparities - in rural areas, the Gini coefficient fell from 0.266 in 2022-23 to 0.237 in 2023-24, suggesting a more equitable distribution of income; in urban areas, the coefficient declined from 0.314 in 2022-23 to 0.284 in 2023-24, signalling progress in reducing economic inequality in cities.
- ✓ The bottom 5% of rural households saw a 22% increase in consumption, while urban households in the same bracket experienced a 19% rise, reflecting greater financial security and improved access to essential goods and services.

Education and Skill Development

- ✓ India has significantly increased its education spending, with an annual growth rate of 12% CAGR, reaching INR 9.2 lakh crore in FY25.
- ✓ The dropout rate at the primary level declined to 1.9%, marking a substantial improvement in early childhood education retention.
- ✓ At the secondary level, the dropout rate fell to 14.1%, signalling better access to higher education and skill-building opportunities.
- ✓ Between 2014 and 2022, higher education enrolment grew by 26.5%, demonstrating increased participation in colleges and universities and higher aspirations among students, especially in STEM fields. As a result, India's Gross Enrolment Ratio (GER) in higher education reached 28.4%, contributing to a better-skilled workforce and stronger human capital development.



Healthcare & Social Security

- ✓ India has significantly expanded public healthcare investment, increasing spending by 18% in FY25, bringing total healthcare expenditure to INR 6.1 lakh crore.
- ✓ The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) has played a pivotal role in reducing out-of-pocket medical expenses. Under this scheme, beneficiaries have saved a total of INR 1.25 lakh crore in medical expenses, making healthcare more affordable for economically weaker sections.
- ✓ To ensure food security for vulnerable populations, the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) continues to provide free food grains to 80 crore people across India. This initiative covers 84% of all households through the Public Distribution System (PDS).

Employment and Skill Development

Declining Unemployment

- ✓ India's unemployment rate fell significantly from 6% in 2017-18 to 3.2% in 2023-24, reflecting strong economic growth and increased job creation. This improvement is attributed to expanding industrial and services sectors, higher self-employment rates, and the government's focus on skilling initiatives.
- ✓ The Labour Force Participation Rate (LFPR) increased to 60.1% in 2023-24, marking a steady rise in workforce engagement. This growth is a result of better employment opportunities, higher demand for skilled workers, and initiatives promoting workforce inclusivity.

Expanding Working-Age Population

- ✓ India's working-age population (15-59 years) is projected to reach 923.9 million by 2026, offering a huge labour pool for economic growth.
- ✓ With 26% of the population aged 10-24, India is poised to reap the benefits of its demographic dividend, provided adequate skilling, employment opportunities, and economic integration are ensured.
- ✓ Female workforce participation has seen a remarkable rise, increasing from 23.3% in 2017-18 to 41.7% in 2023-24.

Surge in Formal Sector Jobs

- ✓ India's formal employment sector has witnessed robust growth, driven by expanding businesses, startups, and government reforms.
- ✓ Net payroll additions under the Employees' Provident Fund Organisation (EPFO) have doubled, rising from 61 lakh in FY19 to 131 lakh in FY24, reflecting a significant increase in secure, organized sector employment.
- ✓ Self-employment has emerged as a dominant trend, with 58.4% of the workforce engaged in entrepreneurial or own-account work.
- ✓ Regular wage jobs remain steady at 21.7%, highlighting the need for continued expansion of high-quality formal employment opportunities.

Skill Development

- ✓ The Startup India initiative has been a key driver of job creation, with 73,151 startups featuring women directors, promoting gender-inclusive entrepreneurship.
- ✓ Skill India and Mudra Yojana have played a pivotal role in supporting vocational training, upskilling, and micro-entrepreneurship.
- ✓ The PM-Internship Scheme has been launched to enhance employability, connect youth with industry experts, and boost self-employment opportunities.



- ✓ The rapid expansion of the digital economy, artificial intelligence (AI), and renewable energy sectors is fueling new employment opportunities. The government is aligning skill development programs with emerging job trends, ensuring that India's workforce is prepared for future-oriented roles in AI, automation, and clean energy industries.

Labour in the AI Era

- ✓ The rise of Artificial Intelligence (AI) is transforming job markets worldwide, creating both opportunities and risks. According to the International Labour Organization (ILO) 2024, 75 million global jobs are at risk due to AI-driven automation.
- ✓ A Goldman Sachs report further estimates that 300 million full-time jobs globally could be exposed to AI-driven disruptions.
- ✓ India's AI market is expected to grow at a rapid pace, with a projected CAGR of 25-35% by 2027 (NASSCOM). This growth presents massive opportunities in AI-related job roles but also highlights the urgent need for workforce upskilling, regulatory frameworks, and responsible AI integration.

Economic Challenges

Global conflicts like the Russia-Ukraine war and disruptions in the Red Sea have led to supply chain bottlenecks and rising energy costs, impacting import-dependent industries. Trade restrictions and supply chain realignments threaten India's export competitiveness, particularly in manufacturing and services, while interest rate fluctuations in the US and EU affect foreign investment, leading to currency depreciation and pressure on forex reserves. A global economic slowdown and regulatory concerns have constrained private investment growth while rising food prices—driven by erratic weather and supply chain issues—continue to strain household budgets. Extreme weather events, including droughts and unseasonal rains, have reduced agricultural output, causing income instability.

Despite efforts under the National Logistics Policy, high logistics costs remain a challenge for industrial competitiveness, while urban economic productivity is hindered by traffic congestion, inadequate public transport, and unaffordable housing in major cities. Regulatory hurdles and financing gaps slow progress in Smart City and urban transport projects, while economic growth outpaces job creation, with a shift toward high-tech, low-employment industries, premature deindustrialization, and skill mismatches. Female labour force participation, though improving at 41.7%, remains below the global average of over 50%, limiting workforce potential. Several states struggle with high debt, rising subsidies, and dependency on central transfers, affecting their fiscal health. Rising unsecured loans pose risks to NBFCs and fintech firms, necessitating stronger regulatory oversight, while slow credit penetration hampers small business expansion despite digital lending growth. Although FDI inflows rose by 17.9%, concerns over repatriation and disinvestment persist.

India's services exports remain heavily dependent on IT and business services, making them vulnerable to demand fluctuations. While renewable energy adoption is growing, the country still relies heavily on coal, delaying the transition to clean energy due to high battery storage costs and intermittent supply challenges. Limited international funding further hampers India's climate resilience initiatives. Labour laws, land acquisition hurdles, and tax complexities continue to hinder MSME and startup growth, while low R&D spending (0.64% of GDP) weakens innovation and technology competitiveness. AI-driven decisions impact hiring, predictive policing, and automation, sometimes leading to unintended biases and failures. Additionally, AI data centres could consume as much electricity as India's total energy demand by 2030. The IT, BPO, and banking industries face significant risks of AI-driven job losses, particularly in low-value service jobs, raising concerns about the future of employment in these sectors.



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