

UNION BUDGET 2025-26

EXECUTIVE SUMMARY

The Union Budget 2025-26 focuses on 4 engines of development namely agriculture, MSME, investment and exports. These development measures mainly focus on the Garib (Poor), Youth, Annadata (Farmer) and Nari (Women) to attain the below mentioned 5 aspirations for Viksit Bharat.

1. Accelerate growth
2. Secure inclusive development
3. Enhance spending power of India's rising middle class
4. Invigorate private sector investments
5. Uplift household sentiments

In the Budget session, the honourable finance minister proposed to introduce a new income-tax bill next week, which will be clearer, more concise, and easier to understand, ensuring tax certainty and reducing litigation.

TAX PROPOSALS

Direct tax proposals - Key highlights

Direct taxes - Corporate

- Period of validity of registration of trust/institution increased from 5 years to 10 years.
- Purchase of goods for the purpose of exports will not be regarded as significant economic presence for non-residents in India.
- The benefit of section 80IAC is extended to start-ups incorporated upto 31.03.2030.
- Carry forward of losses in case of amalgamation to be allowed to the successor company for 8 years succeeding the assessment year in which the loss was originally computed.
- The arm's length price for similar international transactions would now be determined for a block period of 3 years subject to option being exercised by the assessee.

- The time limit to file updated return has been extended from 2 years to 4 years.

Direct taxes - Personal

- Income tax slabs and tax rates changed under the new tax regime.
- No tax for individuals earning income upto INR 12 lakhs. Standard deduction of INR 75,000 for salaried persons remains the same.
- Rebate under section 87A increased from INR 25,000 to INR 60,000.
- ULIP to which exemption under section 10(10D) does not apply will be taxable under the head 'Capital gains.'
- Withdrawal of deposits in National Savings Scheme claimed as deduction in FY 1991-92 and earlier, shall be exempt from tax on or after 29.08.2024.
- Taxpayers can now claim "NIL" Annual value for 2 self-occupied properties without any conditions.

- Threshold limits for TDS deduction have been revised.
- TCS under section 206C(1H) on sale of specified goods is abolished.
- TCS threshold for remittance under Liberalised Remittance Scheme (LRS) has been increased from INR 7,00,000 to INR 10,00,000.
- Higher TDS rate prescribed for non-filers of return of income u/s 206AB and 206CCA has been removed.

Indirect tax proposals

Rationalisation of customs tariff structure for industrial goods

- Removal of 7 tariff rates.
- Not more than one cess or surcharge to apply (hence SW surcharge removed for items on which AIDC surcharge imposed).
- Apply equivalent cess to maintain effective duty incidence on most items and lower cess on certain items.

Sector-specific proposals

- **Make in India:** BCD exemption to certain inputs for LED/LCD TV, looms for textiles, capital goods for lithium ion battery of mobile phones and EVs.
- **Export promotion:** Duty free inputs for handicraft, marine products and leather sector.
- **Trade facilitation:** Time limit fixed for finalisation of provisional assessment; new provision for voluntary declaration of material facts post clearance and duty payment with interest but without penalty; IGCR Rules amended to extend time limit to 1 year and file quarterly statement instead of monthly.

Improved access to lifesaving medicines

- 36 lifesaving drugs/medicines: exemption of BCD is extended by 4 years.

S. No	Description (Sector-specific)	New end date
1	Bulk drugs for the manufacture of drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits specified in List 3 with modifications in the list]	31.3.2029
2	Bulk drugs used in the manufacture of polio vaccine and Monocomponent insulins	31.3.2029

3	Bulk drugs used in the manufacture of life-saving drugs or medicines [A separate entry is being created for Drugs, medicines, diagnostic kits]	31.3.2029
4	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare diseases	31.3.2029

- 6 medicines in 5% duty list.
- 37 medicines and 13 new patient assistance programmes in exempt list.

Key legislative changes in Customs Act, 1962

A new sub-section (1B) is being inserted in section 18 of the Customs Act, 1962 to provide a definite time limit of 2 years for finalisation of provisional assessment. It also provides that this period may be extended by the Commissioner of Customs for a further period of 1 year if sufficient cause is shown.

Implication

This amendment is designed to put a time frame to the conclusion of provisional assessments and avoid delays in the crystallization of the final assessment/final tax impact. This amendment will be effective from the date of assent of the Finance Bill, 2025.

Key legislative changes in the Central GST ('CGST') Act

- **Distribution of ITC by Input Service Distributors:** Clause (61) of section 2 of the CGST Act is being amended to explicitly provide for the distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis. This amendment will be effective from 1 April 2025.
- **Amendment to section 17(5)(d)** Clause (d) of sub-section (5) of section 17 is being amended to substitute the words 'plant or machinery' with the words 'plant and machinery.' This amendment will be effective retrospectively from 1 July 2017, notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority.

Comment: This action aims to counteract the impact of the recent Supreme Court judgment in the Safari Retreats case, which broadened the exemption from blocked credits under Section 17(5)(d).

Other proposals (non-tax)

Financial sector reforms

- FDI limit for the insurance sector will be raised from 74% to 100%.
- A forum for regulatory coordination and development of pension products will be set up.
- Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will also be widened and the process made simpler.
- To encourage sustained foreign investment and in the spirit of 'first develop India', the current model of Bilateral Investment Treaties will be revamped and made more investor friendly.
- A High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions. The objective is to strengthen trust-based economic governance and take transformational measures to enhance 'ease of doing business', especially in matters of inspections and compliances.
- An Investment Friendliness Index of States will be launched in 2025 to further the spirit of competitive cooperative federalism.

Exports

- National framework to be formulated as guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- Support to MSMEs to tackle non-tariff measures in overseas markets.
- To facilitate the upgradation of infrastructure and warehousing for air cargo.
- BharatTradeNet: To set up of a unified platform for trade documentation and financing solutions.
- Support for integration with Global Supply Chains.
- Facilitate upgradation of infrastructure and warehousing for air cargo including high-value perishable horticulture produce. Cargo screening and customs protocols will be streamlined and made user-friendly.

Agriculture

- Loan limit under the Modified Interest Subvention Scheme will be enhanced from INR 3 lakh to INR 5 lakh for loans taken through the Kisan Credit Card Scheme.
- Developing Argi Districts Programme under Prime Minister Dhan-Dhaanya Krishi Yojana to cover 100

Districts and likely to help 1.7 crore farmers.

- Makhana Board to be set up in Bihar to improve production, processing, value addition, and marketing of makhana through organisation of Farmer Producer Organisations (FPOs).
- Other initiatives include: the launching of a 6-year Mission for Aatmanirbharta (self-reliance) in pulses, 5-year Mission for Cotton Productivity, National Mission on High Yielding Seeds to be launched.
- Enabling framework for sustainable harnessing of fisheries from Indian Exclusive Economic Zone and High Seas, with special focus on Andaman & Nicobar and Lakshadweep Islands.
- Reopening of three dormant urea plants and setting up a urea plant in Namrup, Assam.
- India Post to be repositioned to act as catalyst for the rural economy and to be transformed as a large public logistics organization.
- Support to National Cooperative Development Corporation for its lending operations in the co-operative sector.

MSME

- Investment and turnover limits for classification of MSMEs to be enhanced – for achieving higher efficiencies of scale, technological upgradation and better access to capital.
- Credit guarantee cover for MSMEs to be enhanced.
- Customised Credit Cards with an INR 5 lakh limit for micro-enterprises registered on Udyam portal.
- New Fund of Funds to be set up with expanded scope and fresh contribution to support Alternate Investment Funds (AIFs) for startups.
- New scheme to be launched for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs to provide term loans up to INR 2 crore during the next 5 years.
- Establishment of a National Institute of Food Technology, Entrepreneurship and Management in Bihar.
- Introduction of Focus Product Scheme for Footwear & Leather Sectors to facilitate employment, increase in turnover and exports.
- Measures for the toy sector to make India the global hub for toys.
- Setting up of National Manufacturing Mission covering small, medium and large industries for furthering "Make in India" by providing policy support, execution road maps, governance and monitoring framework for

central ministries and states.

- Support to clean tech manufacturing to build ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid scale batteries.

Investment

Investing in people

- Expansion of Capacity in IITs.
- Day care cancer centres in all district hospitals.
- 50,000 Atal Tinkering Labs to be set up in government schools in next 5 years.
- Broad band connectivity to all Government secondary schools and primary health care centres in rural areas.
- Centre of Excellence in Artificial Intelligence for education with a total outlay of INR 500 crore.
- Expansion of medical education: 10,000 additional seats with the goal of adding 75,000 seats in the next 5 years.
- Social Security Scheme for welfare of online platform workers. Arrangement for their identification cards and registration on the e-Shram portal.

Investing in the economy

- Each infrastructure-related ministry to come up with a 3-year pipeline of projects that can be implemented in PPP mode. States encouraged to do so and can seek support from the IIPDF (India Infrastructure Project Development Fund) scheme to prepare PPP proposals.
- 50-year interest free loans to states for capital expenditure and incentives for reforms to support States for infrastructure.
- Incentivising electricity distribution reforms and augmentation of intra-state transmission capacity by states.

- Shipbuilding Financial Assistance Policy to be revamped.
- Extension of the Jal Jeevan Mission to provide potable drinking water, urban sector reforms and setting up of Urban Challenge Fund.
- Maritime Development Fund to be set up for long-term financing of maritime industry.
- Greenfield airports in Bihar, financial support for the Western Koshi Canal ERM Projects.
- Nuclear Energy Mission for Viksit Bharat: Amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up for active partnership with the private sector.
- Allocating INR 20,000 crore to implement private sector driven Research, Development and Innovation initiative.
- Tourism:
 - Top 50 tourist destination sites to be developed in partnership with states.
 - Introducing streamlined e-visa facilities.
 - MUDRA loans for homestays.
 - Medical tourism and Heal in India will be promoted in partnership with the private sector along with capacity building and easier visa norms.

Investing in innovation

- Various measures relating to allocation of funds for research, development and innovation, PM Research Fellowship Scheme, Gene Bank for Crops Germplasm, National Geospatial Mission etc., announced.



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