INDIA BUDGET

2025

INDEX

FOREWORD

Union Budget 2025-26: A Roadmap for Growth, Inclusion & Fiscal Prudence

As we reflect on the Union Budget 2025-26, we see a clear commitment to building a resilient and ambitious India. This budget reinforces our nation's dedication to creating a stable, predictable, and investment-friendly environment while ensuring inclusive growth, social empowerment, and economic resilience. As we move towards Viksit Bharat, the Union Budget 2025-26 lays out a structured roadmap for prosperity, competitiveness, and global leadership.

Finance Minister Nirmala Sitharaman has presented a budget that balances fiscal discipline with inclusive growth, focusing on investment, job creation, and economic resilience.

Key Highlights

1. Fiscal Discipline & Economic Growth
   - The fiscal deficit target has been lowered to 4.8% of GDP, reinforcing our commitment to fiscal consolidation.
   - There is a strong emphasis on capital expenditure to drive infrastructure, manufacturing, and exports.
   - The four engines of growth—Agriculture, MSMEs, Investment, and Exports—remain central to our economic strategy.
2. Agriculture & Rural Development
   - The PM Dhan-Dhaanya Krishi Yojana aims to boost farm productivity and sustainability.
   - The Mission for Aatmanirbharta in Pulses and the National Mission on High Yielding Seeds are set to ensure food security.
   - Initiatives focusing on women entrepreneurs, young farmers, and MSMEs will advance rural development.

3. Urban Development & Infrastructure

- The launch of the Urban Challenge Fund will create smart, livable cities.
- Continued efforts towards affordable housing and clean water supply under the Jal Jeevan Mission are commendable.
- New public-private partnerships (PPPs) in logistics, transport, and energy security will enhance our infrastructure.

4. Financial Sector Reforms

- Increasing the FDI limit for insurance is a strategic move to attract global investments.
- The introduction of the Grameen Credit Score framework will improve rural credit access.
- Modernizing the pension sector will enhance financial security for citizens.

5. Technology & Innovation

- The establishment of a Centre of Excellence in AI for Education will significantly boost digital learning.
- Expanding Atal Tinkering Labs encourages student innovation.
- The National Geospatial Mission will modernize urban planning and land management.
- A Deep Tech Fund of Funds is set to support next-generation startups and emerging technologies.

6. Tax Reforms & Compliance Simplification

- Raising the income tax rebate limit to ₹12 lakh will benefit millions of taxpayers.
- Reducing withholding tax rates will enhance ease of doing business.
- Extending the income tax return filing period from 2 to 4 years for voluntary disclosures is a welcome change.
- Startup tax incentives have been extended by five years to support entrepreneurship.

- The introduction of a safe harbor framework for transfer pricing will enhance tax transparency.
- Rationalizing GST and customs duties will address inverted duty structures and boost exports.

In conclusion, Budget 2025-26 presents a comprehensive framework aimed at fostering growth while ensuring inclusivity and fiscal prudence. As we look ahead, we are optimistic about the positive impact these measures will have on our economy and society as a whole.

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BUDGET HIGHLIGHTS

Economy

- Fiscal deficit at 4.8% of GDP in RE (Revised Estimate) for the FY 2024-25 and 4.4% BE (Budgeted Estimate) for the FY 2025-26.
- For the year 2025-26, the total receipts other than borrowings and the total expenditure are estimated at ₹ 34.96 lakh crore and 50.65 lakh crore respectively.
- The net tax receipts are estimated at ₹ 28.37 lakh crore.
- The fiscal deficit is estimated at 4.4 percent of GDP.

Budgetary Allocations

- ₹ 50,65,345 crores allocated for the Total Budgeted Expenditure. Major budget allocations are in the following sectors:
- ₹ 19,39,001 crores allocated to Finance.
- ₹ 6,81,210 crores allocated to Defence.
- ₹ 2,87,333 crores allocated to Road Transport and Highways.
- ₹ 2,55,445 crores allocated to Railways.
- ₹ 2,33,211 crores allocated to Home affairs.
- ₹ 2,15,767 crores allocated to Consumer Affairs, Food and Public Distribution.
- ₹ 1,90,406 crores allocated to Rural Development.
- ₹ 1,61,965 crores allocated to Chemical and Fertilizers.
- ₹ 1,37,757 crores allocated to Agriculture and Farmers' Welfare.
- ₹ 1,28,650 crores allocated to Education Sector.
- ₹ 1,08,105 crores allocated to Communications.
- ₹ 99,859 crores allocated to Health and Family welfare.
- ₹ 99,503 crores allocated to Jal Shakti.
- ₹ 96,777 crores allocated to Housing and Urban Affairs.

- ₹ 38,613 crores allocated to Science and Technology.
- ₹ 32,646 crores allocated to Labor and Employment.
- ₹ 26,890 crores allocated to Women and Child Development.
- ₹ 26,549 crores allocated to New and Renewable Energy.
- ₹ 26,026 crores allocated to Electronics and Information technology.
- ₹ 24,049 crores allocated to Atomic Energy.
- ₹ 23,168 crores allocated to Micro, Small and Medium Enterprises (MSME).
- ₹ 21,847 crores allocated to Power.
- ₹ 20,517 crores allocated to External Affairs.
- ₹ 19,327 crores allocated to Petroleum and Natural Gas.
- ₹ 18,446 crores allocated to Commerce and Industry.
- ₹ 14,926 crores allocated to Tribal Affairs.
- ₹ 14,886 crores allocated to Social Justice and Empowerment.
- ₹ 13,416 crores allocated to Space Industry.
- ₹ 11,561 crores allocated to Corporate Affairs.
- ₹ 6,100 crores allocated to Skill Development and Entrepreneurship.
- ₹ 2,541 crores allocated to Tourism.

Direct Taxes

- New Income-tax bill to be presented in the Parliament in this budget session.
- For individuals, HUFs, AOP, BOI and artificial juridical person, tax slabs under the new regime changed to ₹ 0 - ₹ 4 Lakhs, ₹ 4 Lakhs - ₹ 8 Lakhs, ₹ 8 Lakhs - ₹ 12 Lakhs, ₹ 12 Lakhs - ₹ 16 Lakhs, ₹ 16 Lakhs - ₹ 20 Lakhs, ₹ 20 Lakhs - ₹ 24 Lakhs and above ₹ 24 Lakhs.

- Income threshold for rebate raised from ₹ 7 Lakhs to ₹ 12 Lakhs ensuring tax-free status for individuals earning up to ₹ 12 Lakhs under the new tax regime. However, rebate not applicable on incomes chargeable at special / concessional rates.
- Tax rates for co-operative societies, firms, local authorities and companies (including foreign companies) remain unchanged.
- Deduction u/s 80CCD(1B) extended to contributions to NPS Vatsalya scheme of ₹50,000 per year for minors. Partial withdrawal upto 25% of the contribution for medical or educational requirement shall be exempt.
- Tax holiday for start-ups has been extended to start-ups incorporated on or before 1-Apr-2030.
- Removal of higher TDS and TCS rates on non-filers of income tax returns.
- Increase in threshold limits for applicability of TDS on interest, commissions, rent, dividend, professional fees, etc.
- Annual value of upto 2 self-occupied house properties to be considered NIL, even if the property remains vacant for any reason.
- Time limit for filing updated income-tax returns u/s 139(8A) extended from 24 months to 48 months with higher tax rates.
- Carry-forward period for losses in cases of amalgamation and business re-organization capped at 8 years from the year in which loss was first computed for original predecessor entity.
- Introduction of a block period concept for Transfer Pricing assessment, whereby the Arm's Length Price determined for a particular year can be opted by the taxpayer for subsequent 2 consecutive years (subject to confirmation).
- Non-residents purchasing goods in India exclusively for export not to be considered as having 'Significant Economic Presence' in India.
- Introduction of presumptive taxation regime for non-residents offering technology and services to India's electronics manufacturing industry. 25% of the gross receipts of such non-residents considered as taxable income.

- Unit Linked Insurance Policies (ULIPs) not qualifying for exemption u/s 10(10D) to be classified as capital assets, and the gains arising from their redemption to be taxed under capital gains as 'equity-oriented funds'.
- Virtual Digital Assets, including cryptocurrencies, are now explicitly covered under the definition of "undisclosed income" for block assessments.
- Time limit for imposing certain penalties revised to 6 months from the end of the quarter in which respective proceedings are completed.
- Relief from prosecution for delays in TCS payments if taxpayer deposits TCS before due date of filing quarterly return.
- Period to process the application for immunity from penalties or prosecution now extend to 3 months instead of 1 month.
- Time limit for completion of block assessment extended to 12 months from the end of the quarter in which search is concluded.
- Various income-tax sops related to aircraft and ship leasing, fund managers, FPIs, ETFs, etc. in IFSC introduced.
- Tonnage tax regime for domestic shipping companies extended to inland vessels.
- Validity period of registration granted to charitable trusts whose total income does not exceed ₹ 5 crores in each of the preceding 2 financial years extended from 5 years to 10 years.

Indirect Taxes

Customs

- With an objective to rationalize tariff structure, rectify duty inversion, support domestic manufacturing and promote exports, the Union Budget has proposed significant reforms to the Customs tariff.
- Seven tariff rates have been removed, reducing the total number to eight, including the 'zero' rate.
- Full exemption proposed for Basic Customs Duty (BCD) on cobalt powder, lithium-ion battery waste, scrap, and 12 critical minerals.

- 37 new medicines for cancer and other rare diseases and 13 new patient assistance programs have been included in the exemption list.
- Six life-saving medicines have been made eligible for concessional customs duty of 5%.
- BCD on frozen fish paste reduced from 30% to 5%.
- BCD on fish hydrolycates reduced from 15% to 5%.
- BCD on open cell and other components for LCDs and LEDs reduced to 5%
- BCD on wet blue leather fully exempted. Crust leather exempted from 20% duty.
- BCD on interactive flat panel displays increased from 10% to 20%.

Goods and Service Tax

- Section 34 of the CGST Act, 2017, mandates declaring credit notes in returns by November 30 of the following financial year or before the annual return. The proposed amendment to Proviso to Section 34(2) disallows reducing output tax liability if the recipient has not reversed the ITC or if the tax burden has been passed to another party.
- Schedule III of CGST Act is being amended, w.e.f. 01-Jul-2017 by inserting a new clause (aa) in paragraph 8 of Schedule III, to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services. However, no refund of tax already paid will be available for the aforesaid activities or transactions.
- To overcome the decision of Supreme Court in the case of Safari Retreats, clause (d) of sub-section (5) of Section 17 is being amended to substitute the words "plant or machinery" with words "plant and machinery" retrospectively from 01-Jul-2017.
- To reduce the amount of pre-deposit for filing of appeals before Appellate Authority from 25% to 10% against an order under sub-section (3) of section 129. Section 107(6) is amended in cases

involving only demand of penalty without any demand of tax. Also, an insertion is made to Section 112(6) requiring an additional 10% pre-deposit for filing an appeal with the appellate authority for such orders.

- New section 148A is being inserted to provide for an enabling mechanism for Track and Trace for specified commodities and insertion of Section 122B to levy penalty for failure to comply with track and trace mechanism.
- Section 39(1) is being amended to include a provision that allows the government to set conditions and restrictions for return filing. This gives the government greater flexibility to introduce specific rules for return filing without the need to amend the GST Act itself.

DIRECT TAX PROPOSALS

(Unless specified, proposals shall take effect from AY 2026-27)

RATES OF TAX / THRESHOLD LIMIT

a. Individual, HUF, AOP or BOI, Artificial Juridical Person

Old Regime

- No change in tax slabs and basic tax rates.
- Surcharge in case of LTCG is continued to be capped at 15%, similar to last year.
- In the case of AOPs consisting of only companies as its members, surcharge shall not exceed 15%, similar to last year.
- No change in Health and Education cess, which is 4%.
- No change in Tax rebate for resident individual whose income does not exceed ₹ 5 Lakhs.

New Regime (Default Regime)

- It is proposed to give benefit to the taxpayer by way of changes in the slabs and effective tax rates as under:

Taxable Income Slab (₹)	Effective Rate of Tax
Up to ₹ 4,00,000	NIL
₹ 4,00,001 to ₹ 8,00,000	5.20%
₹ 8,00,001 to ₹ 12,00,000	10.40%
₹ 12,00,001 to ₹ 16,00,000	15.60%
₹ 16,00,001 to ₹ 20,00,000	20.80%
₹ 20,00,001 to ₹ 24,00,000	26.00%
₹ 24,00,001 to ₹ 50,00,000	31.20%
₹ 50,00,001 to ₹ 1,00,00,000	34.32%
₹ 1,00,00,001 to ₹ 2,00,00,000	35.88%
Above ₹ 2,00,00,000	39.00%

- New Regime will continue to be 'default tax regime' with an option to taxpayer to choose old regime.
- No change in surcharge.
- Tax Rebate limit to a resident individual is increased from ₹ 7 Lakhs to ₹ 12 Lakhs. 100% Tax Rebate is available to resident individual or ₹ 60,000/- whichever is less on total income not exceeding ₹ 12 Lakhs.
- No change in Standard Deduction u/s 16(ia) to salaried employees which is ₹ 75,000/-.

b. Firm and LLP

- No change in basic tax rate of 30% and surcharge of 12% for income above ₹ 1 Crore.
- No change in Health and Education cess, which is 4%.
- Effective Tax rates shall be as under (subject to AMT).

Taxable Income	Tax Rates (Including surcharge and cess)
Up to ₹ 1 Crore	31.20%
Above ₹ 1 Crore	34.94%

c. Companies:

Normal Regime

- No change in Tax rate of 25% for domestic companies, having total turnover or gross receipts not exceeding ₹ 400 Crores in FY 2023-24 and 30% for domestic companies, having total turnover or gross receipts exceeding ₹ 400 Crores in FY 2023-24.
- No change in Tax rate of 35% for foreign companies, on income other than income chargeable at special rate.
- For Domestic companies, surcharge of 7% is applicable where income exceeds ₹ 1 Crore and 12% where income exceeds ₹ 10 Crores.
- For foreign companies, surcharge of 2% is applicable where income exceeds ₹ 1 Crore and 5% where income exceeds ₹ 10 Crores.

- No change in Health and Education cess, which is 4%.
- Effective tax rates shall be as under (Subject to MAT):

Particulars	Domestic Company	Foreign Company
Turnover/Gross Receipts up to ₹ 400 Crores in FY 2023-2024		
Taxable Income upto ₹ 1 Crore	26.00%	36.40%
Taxable Income above ₹ 1 Crore to ₹ 10 Crores	27.82%	37.13%
Taxable Income above ₹ 10 Crores	29.12%	38.22%
Turnover/Gross Receipts above ₹ 400 Crores in FY 2023-2024		
Taxable Income upto ₹ 1 Crore	31.20%	36.40%
Taxable Income above ₹ 1 Crore to ₹10 crores	33.38%	37.13%
Taxable Income above ₹ 10 Crores	34.94%	38.22%

Optional Regime

- No change in the rates of Optional Regime in the case of domestic companies. The provisions of MAT shall not be applicable.
- Effective rates for domestic companies under both the sections are as under:

Particulars	As per section 115BAA	As per section 115BAB
Effective Tax Rate (Including surcharge and cess)	25.17%	17.16%

d. Co-operative society

Normal Regime

- There is no change in the slab rates for tax. The same are as under:

Taxable Income Slab	Tax Rates
Up to ₹ 10,000	10%
₹ 10,001 to ₹ 20,000	20%
Above ₹ 20,000	30%

- No change in surcharge, which is 7% in case of income exceeding ₹ 1 Crore but less than ₹ 10 Crores and 12% in case of income exceeding ₹ 10 Crores.

Optional Regime

- No change in the tax rate for Optional Regime. The effective tax rate shall be 25.17%.

e. Minimum Alternative Tax (MAT) & Alternate Minimum Tax (AMT)

- No change in basic MAT @ 15%, AMT @ 18.5% (except Co-operative Societies). AMT rate continues to be at 15% for Co-operative Societies.
- No change in Surcharge and cess rates.

f. Revision in tax rate on capital gains for non-residents

It is proposed to amend section 115AD to provide that long-term capital gains tax on transfer of securities (other than units referred to in section 115AB) not referred to in section 112A, if any, included in the total income of a non-resident, shall be calculated at the rate of 12.5%.

TDS and TCS PROVISIONS

a) Rationalization of TDS and TCS rates / thresholds:

Section	Nature of Deduction / Collection	Present Threshold	Proposed Threshold
TDS			
193	Interest on securities	Nil	₹ 10,000/-
194	Dividend for an individual shareholder	₹ 5,000/-	₹ 10,000/-

Section	Nature of Deduction / Collection	Present Threshold	Proposed Threshold
194A	Interest other than Interest on securities	(i) ₹ 50,000/- for senior citizen;	(i) ₹ 1,00,000/- for senior citizen
		(ii) ₹ 40,000/- in case of others when payer is bank, cooperative society and post office	(ii) ₹ 50,000/- in case of others when payer is bank, cooperative society and post office
		(iii) ₹ 5,000/- in other cases	(iii) ₹ 10,000/- in other cases
194B	Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding ₹ 10000/- during the financial year	₹ 10,000/- in respect of a single transaction
194BB	Winnings from horse race		
194D	Insurance commission	₹ 15,000/-	₹ 20,000/-
194G	Income by way of commission, prize etc. on lottery tickets	₹ 15,000/-	₹ 20,000/-
194H	Commission or brokerage	₹ 15,000/-	₹ 20,000/-
194-I	Rent	₹ 2,40,000/- during the financial year	₹ 6,00,000/- during the financial year
194J	Fee for professional or technical services	₹ 30,000/-	₹ 50,000/-
194K	Income in respect of units of a mutual fund or specified company or undertaking	₹ 5,000/-	₹ 10,000/-
194LA	Income by way of enhanced compensation	₹ 2,50,000/-	₹ 5,00,000/-

Section	Nature of Deduction / Collection	Present Threshold	Proposed Threshold
194LBC	Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 20% otherwise	10%
TCS			
206C (1G)	Remittance under LRS / overseas tour program package	₹7,00,000/-	₹ 10,00,000/-
	TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after ₹ 7,00,000/-	Nil
206C(1)	Sale of goods of specified nature.	2.5% on the following nature of goods: 1. Timber obtained under a forest lease 2. Timber obtained by any mode other than under a forest lease 3. Any other forest produce not being timber or tendu leaves	2% on the following nature of goods: 1. Timber or any other forest produce (not being tendu leaves) obtained under a forest lease 2. Timber obtained by any mode other than under a forest lease

b) Avoidance of overlap between TDS and TCS on sale of goods (w.e.f. 01-Apr-2025)

It is proposed to remove obligation for sellers to collect TCS u/s 206C(1H) and only the buyer is responsible to deduct TDS u/s 194Q.

c) Removal of higher TDS/TCS for non-filers of return of income (w.e.f. 01-Apr-2025)

It is proposed to omit section 206AB and section 206CCA of the Act which required taxpayers to deduct / collect TDS / TCS at higher rate in case of non-filers of return of income.

SALARIES

a) Rationalisation of perquisite taxation:

Currently the value of any benefits or amenity granted free of cost or at concessional rate by employer to employee whose gross total income exceeds ₹ 50,000/- is treated as perquisites. Also, any expenditure incurred by the employer for travel outside India on the medical treatment of the employee or family member is treated as perquisites in case of the employee whose gross total income exceeds ₹ 2 Lakhs. To adjust these limits with the current standard of living and economic conditions, it is proposed to increase the limit to be prescribed by the Income Tax Rules.

INCOME FROM HOUSE PROPERTY

a) Annual value of self-occupied property simplified

Currently, the annual value upto two houses is taken as NIL u/s 23 where the owner occupies the house for his residence or cannot actually occupy it due to his employment, business or profession carried on at any other place. To simplify this provision, it is proposed to consider annual value as NIL even in case the owner cannot occupy the house due to any reason.

BUSINESS INCOME

a) Carry forward of losses in case of amalgamation or business re-organization (w.e.f. 01-Apr-2025)

It is proposed to amend section 72A and section 72AA to provide that any loss forming part of the accumulated loss of the predecessor entity, which is deemed to be the loss of the successor entity, shall be eligible to be carried forward for not more than 8 assessment years immediately succeeding the assessment year in which such loss was first computed for original predecessor entity.

b) Extension of benefits of tonnage tax scheme to inland vessels

- Tonnage Tax Scheme, introduced by Finance Act, 2004, aimed to promote the Indian shipping industry by allowing shipping companies to choose between tonnage tax regime and normal corporate tax regime.
- It is now proposed to extend the benefit of tonnage tax regime to inland vessels also treating them as qualified ships (previously available only to ocean-going vessels).

CAPITAL GAINS

a) Taxability of income on redemption of Unit Linked Insurance Policy

It is proposed to rationalize provisions of taxation relating to unit-linked insurance policies to provide that:

- ULIPs to which exemption u/s 10(10D) does not apply, is a capital asset;
- Profit and gains from redemption of such ULIPs, shall be charged to tax as capital gains; and
- Such ULIPs shall be included in definition of equity-oriented fund.

DEDUCTIONS UNDER CHAPTER VI-A

a) Extension of sunset clause for start-ups

Sunset date for eligibility of deduction u/s 80-IAC extended to 31-Mar-2030.

b) Deduction u/s 80CCD extended for contributions made to NPS Vatsalya Scheme

- It is proposed to extend deduction u/s 80CCD to contributions made under NPS Vatsalya Scheme allowing parents or guardians to claim deduction upto ₹ 50,000 for amounts deposited in minor's NPS Vatsalya account.

- Amounts allowed as deduction u/s 80CCD(1B), or any interest accrued thereon will be subject to tax upon withdrawal from the minor's account. However, in case of minor's death, the amount of withdrawal will not be taxable in the hands of parent/guardian.
- Additionally, it is also proposed to insert clause 12BA in Section 10 in order to exempt the income from partial withdrawals in the hands of parent/guardian for specified contingencies such as education, specified illness, disability of the minor, provided the withdrawal does not exceed 25% of the contributions made.

INTERNATIONAL TAXATION & TRANSFER PRICING

a) Clarification on Significant Economic Presence applicability with Business Connection

It is proposed to clarify that the transactions or activities by non-resident related to purchase of goods from India for exports shall not constitute significant economic presence of such non-resident in India.

b) Presumptive taxation for non-resident service providers for electronics manufacturing

It is proposed to insert a new section 44BBD for non-residents engaged in business of providing services or technology to resident company, for specific activities in India viz:

- setting up an electronics manufacturing facility or
- in connection with manufacturing or production of electronic goods, article or thing

Resident Company should either be –

- setting up / operating an electronics manufacturing facility; or
- producing electronic goods, article or thing in India in India under a scheme by the Ministry of Electronics and Information Technology; and
- fulfill other specific conditions to be prescribed.

Presumptive income shall be 25% of the following–

- Amount paid / payable to the non-resident or any person on his behalf; and
- Amount received or deemed to be received by the non-resident or on his behalf.

No set off pertaining to unabsorbed depreciation and brought forward loss to be allowed.

c) Multi-year arm's length price determination

- It is proposed to insert a new sub-section 3B in Section 92CA to enable taxpayers to opt for transfer pricing assessments for a block period of 3 years.
- If opted, arm's length price determined in relation to an international transaction or a specified domestic transaction for any previous year shall apply to similar transaction undertaken for subsequent 2 consecutive previous years.
- Transfer pricing officer to provide the conditions for validity of the option within one month.
- Procedure and timelines for exercising such option to be prescribed.
- Assessing Officer to give effect to the order of the TPO for such two consecutive previous years within prescribed time limits.

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) RELATED PROPOSALS

a) Time extension for Sunset clause

Sunset date extended for several tax concessions available to IFSC or relocation of investment funds to IFSC from 31-Mar-2025 to 31-Mar-2030.

b) Exemption for Life insurance policy

It is proposed to amend section 10(10D) to exempt proceeds from life insurance policies issued by IFSC insurance intermediary offices, removing maximum premium condition, to bring parity with life insurance policies in other foreign jurisdictions.

c) Exemption to capital gains and dividend for aircraft or ship leasing units in IFSC

It is proposed to exempt capital gains and dividend income arising to an IFSC Unit engaged in aircraft or ship leasing activity from another Unit in IFSC engaged in aircraft or ship leasing activity.

d) Rationalization of definition of 'dividend' for treasury centers in IFSC

It is proposed to exclude advances or loans between a finance company or finance unit in IFSC and its overseas group entity which is listed on stock exchange in a country or territory outside India, from being treated as dividends, provided certain conditions for the group, parent, and principal entities are fulfilled.

e) Inclusion of ETFs in 'Resultant Fund' definition

It is proposed to include retail schemes and ETFs within the definition of 'resultant fund' to ensure tax-neutrality for relocation of original funds to resultant funds in IFSC.

f) Simplified regime for fund managers based in IFSC

One of the eligibility conditions for investment funds set up in IFSC provides that total investment in the fund by Indian residents should not exceed 5% of the fund's total corpus. It is now proposed that the said limit is to be satisfied on 1st April and 1st October of the previous year with a grace period of 4 months.

PROCEDURAL AMENDMENTS

a) Extension of time limit for filing updated return (w.e.f. 01-Apr-2025)

It is proposed to extend the time limit for filing updated return u/s. 139(8A) of the Act from 24 months to 48 months. The additional income-tax payable u/s. 140B during various periods is proposed as under:

Period of filing return of income from the end of relevant assessment year	Tax Rate
Upto 12 months	25%
12 months – 24 months	50%
24 months – 36 months	60%
36 months – 48 months	70%

In addition to the above-mentioned rates, surcharge, cess and interest shall be applicable.

It is further proposed that no updated return can be filed after 36 months, in case where reassessment notice is issued u/s. 148A of the Act. However, the same can be filed, if the said reassessment proceeding is subsequently dropped u/s. 148A(3) of the Act.

b) Amendments in block assessment provisions in search cases [w.e.f. 01-Feb-2025]

Certain amendments have been proposed in the scheme of block assessment for search cases which was introduced last year: -

- 'Virtual digital asset' including cryptocurrencies is also proposed to be covered in the definition of undisclosed income.
- In order to provide clarity in the methodology of computation of total income of block period, certain modifications in the language of the section are proposed.
- Time limit for completion of block assessment is proposed to be changed as under: -

Current	Proposed
12 months from the end of the month in which search is concluded	12 months from the end of the quarter in which search is concluded

c) Furnishing of information in respect of crypto asset

- It is proposed to insert section 285BAA to furnish information in respect of transactions in crypto asset in the prescribed manner. Detailed rules in this regard to be prescribed.
- In case the information furnished is defective, it is to be rectified within 30 days or such extended period from the date of intimation. If it is not rectified within the prescribed period, it shall be deemed that inaccurate information has been furnished.
- In case the information provided is found inaccurate, it can be rectified within 10 days of notice of such inaccuracy.

d) Rationalisation of penalties and prosecution

- **Section 270AA: Immunity from penalty and prosecution**

  It is proposed to extend the processing period to 3 months from the end of the month in which application for immunity is received by the Assessing Officer from earlier 1 month.

- **Section 271AAB: Penalty in respect of searches initiated after 15-Dec-2016.**

  It is proposed to clarify that Section 271AAB shall not be applicable to the taxpayer in whose case search has been initiated under section 132 on or after 01-Sep-2024. In such cases, penalties per Section 158BFA shall be applicable.

- **Section 275: Limitation period for imposing penalties**

  Section 275 of the Act currently sets multiple time limits for imposing penalties in various cases, such as appeals before the ITAT or JCIT. It is proposed that penalty order under Chapter XXI shall not be passed after expiry of 6 months from the end of the quarter in which the connected proceedings are completed, or the appeal order is received by the Principal Commissioner or Commissioner, or the revision order is passed, or the penalty notice is issued, as the case may be.

- **Section 276BB: Prosecution for delayed payment of TCS in certain cases**

  It is proposed that prosecution u/s. 276BB shall not be instituted against a person if the tax collected at source is paid to the Central Government on or before the time prescribed for filing the quarterly statement under section 206C(3) of the Act in respect of such TCS payment. This proposal is in line with similar relaxation provided earlier for TDS defaults.

RATIONALISATION OF PROVISIONS RELATED TO CHARITABLE TRUSTS AND INSTITUTIONS

a) Rationalisation of 'specified violation' for cancellation of registration of trusts or institutions

To mitigate the harsh effect of cancellation for minor defaults, it is proposed to amend the Explanation to section 12AB(4) to exclude situation where the application form for registration is incomplete in certain respects, from being treated as 'specified violation'.

b) Period of registration of smaller trusts or institutions

To reduce the compliance burden for the smaller trusts or institutions, it is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years for certain trusts and institutions.

This extension applies if:

- The trust or institution has made an application under sub-clause (i) to (v) of clause (ac) of sub-section (1) of section 12A,
- The total income of the trust or institution, calculated without applying the provisions of sections 11 and 12, does not exceed ₹ 5 crores in each of the two preceding previous years in which such application is made.

c) Rationalisation of persons specified u/s 13(3) for trusts or institutions

- Section 13 provides that benefit of exemption u/s 11 or 12 shall not be available if income or property of trust is used or applied for direct or indirect benefit of certain person(s) referred in section 13(3).
- The scope of person making substantial contribution to the trust or institution is expanded to cover amount of contribution over ₹ 1 Lakh in the relevant previous year or in aggregate over ₹ 10 Lakhs upto the end of relevant previous year. Further, considering difficulties faced in furnishing certain details of relative or / and concern in which a person has substantial interest, these are now excluded.

OTHER PROVISIONS

a) Rationalisation in taxation of Business trust

It is proposed to amend section 115UA(2) to provide that total income of a business trust shall be charged to tax at maximum marginal rate, subject to provisions of section 111A, section 112 and section 112A.

❑❑

INDIRECT TAX PROPOSALS

Customs

a. Rate Related Changes

- New Exemption vide Notification No.04.2025 with effect from 02-Feb-2025:

CTH	Item	From	To
	Plastic		
3920	Other, plates, sheets, films, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials	25%	20%
3921	Other plates, sheet, film, foil and strip of plastics	25%	20%
6401	Waterproof Footwear with outer soles and Uppers of Rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	35%	20%
	Footwear		
6402	Other footwear with outer soles and uppers of rubber or plastics	35%	20%
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35%	20%
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35%	20%
6405	Other Footwear	35%	20%

CTH	Item	From	To
	Gems & Jewellery		
7113	Articles of Jewelry and parts thereof	25%	20%
7114	Articles of goldsmiths' and silversmiths' ware's and parts thereof	25%	20%
	Metals		
7404 00 12, 7404 00 19, 7404 00 22	Copper Waste and Scrap	2.5%	Nil
8002	Tin Waste and Scrap	5%	Nil
8101 97 00	Tungsten Waste and Scrap	5%	Nil
8102 97 00	Molybdenum Waste and Scrap	5%	Nil
8103 30 00	Tantalum Waste and Scrap	5%	Nil
8105 30 00	Cobalt Waste and Scrap	5%	Nil
8106 90 10	Waste and Scrap of Bismuth and Bismuth alloys	5%	Nil
8109 31 00, 8109 39 00	Zirconium Waste and Scrap	10%	Nil
8110 20 00	Antimony Waste and Scrap	2.5%	Nil
8112 13 00	Beryllium Waste and Scrap	5%	Nil
8112 41 20	Rhenium Waste and Scrap	10%	Nil
8112 61 00	Cadmium Waste and Scrap	5%	Nil
	Solar		
8541 42 00	Solar Cells	25%	20%
8541 43 00, 8541 49 00	Solar Module and Other semiconductor devices and photovoltaic cells	40%	20%
	Transportation		
8702	Motor vehicles for transport of 10 or more persons	40%	20%
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	70%

CTH	Item	From	To
8704	Motor vehicles for transport of goods	40%	20%
8711	Motorcycles and cycles fitted with an auxiliary motor with or without side-car	100%	70%
8712 00 10	Bicycles	35%	20%
Toys			
9503 00 91	Parts of electronic toys	70%	20%
Personal Consumption			
9803 00 00	All dutiable articles, imported by a passenger or a member of a crew in his baggage	100%	70%
9804 00 00	All dutiable goods imported for personal use.	35%	20%

- Changes in Exemption Notification No. 50/2017 with effect from 02.02.2025

CTH	Product description	Change & impact
Drugs, Medicine and medical equipment		
28, 29, 30 or 38	Drugs, medicines, diagnostic kits or equipment specified in List 3; and	Exemptions @ 5% were expiring on 31.03.2025, which have now been extended till 31.03.2029
28, 29, 30 or 38	Lifesaving drugs/medicines including their salts and esters and diagnostic test kits specified in List 4	Exemptions @ Nil rate were expiring on 31.03.2025, which have now been extended till 31.03.2029
28, 29 or 30	Poliomyelitis Vaccine (Inactivated and live) and Monocomponent insulins	Exemption @ 5% were expiring on 31.03.2025, which have now been extended till 31.03.2029

CTH	Product description	Change & impact
28, 29, 30, or 38	1. Bulk drugs used in the manufacture of life saving drugs or medicines at (A). 2. Bulk drugs used in the manufacture of : (i) Poliomyelitis Vaccine (Inactivated and live) (ii) Monocomponent insulins:	Exemptions @ Nil rate were expiring on 31.03.2025, which have now been extended till 31.03.2029
30 or 9804	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare diseases	Exemptions @ Nil rate were expiring on 31.03.2025, which have now been extended till 31.03.2029
9804	Drugs, Medicines or Food for Special Medical Purposes (FSMP) used for treatment of rare diseases specified in List 38	Exemptions @ Nil rate were expiring on 31.03.2025, which have now been extended till 31.03.2029
	Telecommunication	
28, 29, 32, 39, 54, 56, 70, 72 or 90	I) Goods specified in List 5, for the manufacture of telecommunication grade optical fibres or optical fibre cables; II) Fibre reinforced plastic rods (FRP), for the manufacture of telecommunication grade optical fibres or optical fibre cables; III) Goods specified in List 6 for manufacture of telecommunication grade FRP	Exemptions @ Nil rate were expiring on 31.03.2025, which have now been extended till 31.03.2027

CTH	Product description	Change & impact
7307 29 00, 7307 99 90, 7308 90 90, 7310 29 90, 7320 90 90, 7325 99 99, 7326 19 90, 7326 90 99	All goods other than SIM socket/other mechanical items (Metal) (7326 90 99) for cellular mobile phone	Earlier exemption @ 10% was not available, if imported from USA, now exemption extended to imports from USA
7318 15 00, 7318 16 00, 7318 29 90	All goods	Earlier exemption @ 15% was not available, if imported from USA, now exemption extended to imports from USA
70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Exemption @ 5% was expiring on 31.03.2025, which have now been extended till 31.03.2027
Any Chapter	The following goods for the manufacture of Preform of Silica, namely, Refrigerated Helium Liquid (2804); Germanium Tetra Chloride (2812); Silica tetra chloride (2812); Silica tube (7002); Silica Rods (7002)	Exemption @ Nil rate was expiring on 31.03.2025, which have now been extended till 31.03.2027
	Precious stone	
71	Rough Diamonds	Exemption @ Nil rate granted earlier, to expire by 31.03.2026
7102, 7104	Seeds for use in manufacturing of rough lab-grown diamonds	Exemption was expiring on 01.02.2025, which has now been extended without any time limit and condition of following procedure set out in Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 has been done away with.

CTH	Product description	Change & impact
Wind operated generators		
84 or any other chapter	(1) Wind operated electricity generators upto 30 KW and wind operated battery chargers upto 30 KW (2) Blades for rotor wind operated electricity generators, for the manufacture or the maintenance of wind operated electricity generators Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators	Exemptions have been omitted
84 or any other chapter	Raw materials or parts for manufacture or maintenance of blades for rotor of wind operated electricity generator	Exemption was expiring on 31.03.2025, has now been extended till 31.03.2026
Textile		
8846, 8848	Shuttleless Rapier looms (above 650 meters per minute), Waterjet looms (above 800 meters per minute), Airjet looms (above 1000 meters per minute)	• Exemption @Nil rate, has been extended to Shuttleless Rapier looms below 650 meters per minute and Shuttleless Airjet looms below 1000 meters per minute; Exemption was expiring on 31.03.2025, which have now been extended till 31.03.2027

CTH	Product description	Change & impact
8446, 8447,	Weaving and Knitting machines specified under Sr. No. 460A and 460B of Not. No 50/2017	Exemption @ 5% was expiring on 31.03.2025, which have now been extended till 31.03.2027
8452	Industrial Sewing machine	
8456 11 00	Laser garment panel cutter	
84	Whole garment making machine	
8443 39 10	Inkjet printing machine	
84	Machinery (other than old and used) for non-woven textiles specified under Sr. No. 460D of Not. No 50/2017	
84 or any other chapter	Parts and components (other than old and used) for use in manufacturing of textile machineries (falling under tariff headings 8444, 8445, 8446, 8447,8448, 8449, 8451, 8452)	
	Metals	
7210 12 10, 7210 12 90	Flat rolled products of iron or non alloy steel, of thickness less than 0.5mm plated or coated with tin	Earlier exemption @ 7.5% was not available, if imported from USA, now exemption extended to imports from USA
7219 12, 7219 13	Flat rolled products of stainless steel not further worked than hot rolled, in coils: • of thickness of 4.75 mm or more but not exceeding 10mm or of thickness of 3 mm or more but less than 4.75 mm	

CTH	Product description	Change & impact
7219 21 90	Flat rolled products of stainless steel not further worked than hot rolled, not in coils, of thickness exceeding 10mm, falling in other category	
7219 90 90	Flat rolled products of stainless steel, of width of 600 mm or more falling in others category	
7225 11 00	Flat rolled products of silicon electrical steel, grain oriented	Earlier exemption @ 5% was not available, if imported from USA, now exemption extended to imports from USA
Vessels and ships		
8908	Vessels and other floating structures for breakup	Exemption was expiring on 31.03.2025, which has now been extended to 31.03.2035
Any Chapter	Raw materials, components, consumables or parts used for manufacture of goods falling under 8901, 8902, 8904 and 8905	Exemption was expiring on 31.03.2025, which has now been extended to 31.03.2035
Miscellaneous		
8524	Open cell (with or without touch) for use in the manufacture of Interactive Flat Panel Display (IFPD) Module	New Exemption inserted with condition that procedure set out in Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 to be followed
152 00 00	Crude glycerin	Exemption @ 2.5% granted earlier, to expire by 31.03.2027

CTH	Product description	Change & impact
2207 20 00	Denatured ethyl alcohol for use in manufacture of industrial chemicals	Exemption @ Nil rate granted earlier, to expire by 31.03.2027
2301 20	Fish meal for use in manufacture of aquatic feed	Exemption @ 5% granted earlier, to expire by 31.03.2027
7307 29 00, 7307 99 90, 7308 90 90, 7310 29 90, 7320 90 90, 7325 99 99, 7326 19 90, 7326 90 99	All goods other than SIM socket/other mechanical items (Metal) (7326 90 99) for cellular mobile phone	Earlier exemption @ 10% was not available, if imported from USA, now exemption extended to imports from USA
7318 15 00, 7318 16 00, 7318 29 90	All goods	Earlier exemption @ 15% was not available, if imported from USA, now exemption extended to imports from USA

- Rate changes in Exemption Notification No. 50/2017 with effect from 02.02.2025

CTH	Product Description	From	To
7113	Platinum Findings	25%	5%
7802 and 7902	Lead and zinc waste and scrap	5%	Nil
8549 13, 8549 14, 8549 19	Waste and scrap of Lithium-Ion Battery	5%	Nil
8105 20 30	Powders of cobalt metal and other intermediary products of cobalt metallurgy	5%	Nil
8529	Chip of films, Printed Circuit Board Assembly, Cell (glass board/ substrate) for use in manufacture of LCD and LED TV panels of heading 8524	2.5%	Nil

- Proposed Rate Changes in Customs Tariff with effect from 01.05.2025 (unless otherwise specified)

CTH	Product Description	From	To
1520 00 00	Glycerol Crude, glycerol waters, glycerol lye	30%	20%
2603 00 00	Copper Ores and concentrates	2.5%	Nil
2605 00 00	Cobalt Ores and concentrates	2.5%	Nil
2609 00 00	Tin Ores and concentrates	2.5%	Nil
2611 00 00	Tungsten Ores and concentrates	2.5%	Nil
2613 00 00	Molybdenum Ores and concentrates	2.5%	Nil
2615 10 00	Zirconium Ores and concentrates	2.5%	Nil
2615 90 10	Vanadium Ores and concentrates	2.5%	Nil
2615 90 20	Niobium or Tantalum Ores and concentrates	2.5%	Nil
2617 10 00	Antimony Ores and Concentrates	2.5%	Nil
2711 12 00	Liquefied Propane	15%	2.5%
2711 13 00	Liquefied Butane	15%	2.5%
27 11 19 10	LPG (for non-automotive purpose)	15%	5%
2711 19 20	LPG (for automotive purpose)	15%	5%
2711 19 90	Other liquified petroleum gas	15%	5%
2809 20 10	Phosphoric Acid	20%	7.5%
2810 00 20	Boric Acid	27.5%	7.5%
3824 99 00	Other – Prepared Binders, chemical products and preparations of chemical or allied industries	17.5%	7.5%
7210 12 10	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.5%	15%
7210 12 90	Other flat rolled products of thickness less than 0.5 mm	27.5%	15%
7219 12 00	Hot-rolled products in coils of thickness greater than or equal to 4.75 mm, but not exceeding 10 mm	22.5%	15%

CTH	Product Description	From	To
7219 13 00	Hot-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.5%	15%
7219 21 90	Flat rolled products of stainless steel of width 600 mm or more - Other nickel chromium austenitic type	22.5%	15%
7219 90 90	Flat rolled products of stainless steel of width 600 mm or more - Other sheets and plates	22.5%	15%
7225 11 00	Flat-rolled products of other alloy steel - grain oriented, silicon electrical steel	20%	15%
7307 29 00	Other tube or pipe fittings of stainless steel	25%	15%
7307 99 90	Other fittings of iron or steel non-galvanized	25%	15%
7308 90 90	Other structure and parts of structures of iron and steel	25%	15%
7310 29 90	Others-tanks and drums etc.	25%	15%
7318 15 00	Other screws and bolts whether or with nuts or washer	25%	15%
7318 16 00	Threaded nuts	25%	15%
7318 29 90	Other non-threaded articles	25%	15%
7320 90 90	Other springs and leaves of iron/ steel	25%	15%
7325 99 99	Other cast articles of iron or steel	25%	15%
7326 19 90	Others - forged or stamped articles of iron or steel but not further worked	25%	15%
7326 90 99	Miscellaneous other articles of iron/ steel	25%	15%
8001	Unwrought Tin	5%	Nil
8101 94 00	Unwrought tungsten, including bars and rods obtained simply by sintering	5%	Nil

CTH	Product Description	From	To
8102 94 00	Unwrought molybdenum, including bars and rods obtained simply by sintering	5%	Nil
8103 20	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	5%	Nil
8105 20 20	Cobalt, unwrought	5%	Nil
8106 10 10	Bismuth, unwrought	5%	Nil
8109 21 00	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight	10%	Nil
8110 10 00	Unwrought antimony, powders	2.5%	Nil
8112 12 00	Beryllium unwrought, powders	5%	Nil
8112 31	Hafnium unwrought, waste and scrap, powders	10%	Nil
8112 41 10	Rhenium unwrought	10%	Nil
8112 69 10	Cadmium unwrought, Powders	5%	Nil
8112 69 20	Cadmium, wrought	5%	Nil

- Revised Agriculture Infrastructure and Development Cess (AIDC) rates with effect from 02.02.2025

CTH	Product Description	Rate
2515 11 00, 2515 12, 2516 11 00, 2516 12 00	All goods	20%
3406	Candles, tapers and the like	7.5%
3920, 3921	Poly vinyl chloride (PVC) Flex Films	7.5%
6401, 6402, 6403, 6404 or		
6405	All goods	18.5%
6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00 or 6802 92 00	Marble slab	20%
7113	Platinum findings	1.4%

CTH	Product Description	Rate
8541 42 00	All goods other than goods on which exemption from BCD is allowed under Notification No. 24/2005	7.5%
8541 43 00, 8541 49 00	All goods other than goods on which exemption from BCD is allowed under Notification No. 24/2005	20%
8702, 8704	1) All goods other than goods covered under Notification No. 50/2017 2) All goods covered under Notification No. 50/2017	20% 5%
9503 00 91	All goods other than goods covered under Notification No. 50/2017	20%
8703	1) All goods other than goods covered under Notification No. 50/2017 All goods covered under Notification No. 50/2017	67.5% 40%
8711	All goods other than goods covered under Notification No. 50/2017	40%
8712 00 10	All goods	15%
8903	All goods	7.5%
9028 30 10	All goods other than goods covered under Notification No. 50/2017	7.5%
9401, 9403, 9404, 9405	All goods	5%
9503 00 91	1) All goods other than goods covered under Notification No. 50/2017 All goods covered under Notification No. 50/2017	7.5% 20%

CTH	Product Description	Rate
9802 00 00	All goods other than goods covered under Notification No. 50/2017	70%

- Exemption from whole of Social Welfare Surcharge (SWS) with effect from 02.02.2025

CTH	Product Description
3406, 6401, 6402, 6403, 6404, 6405, 7113, 7114, 8702, 8704, 8903, 9401, 9403, 9404, 9405, 9503 00 91, 9803	All goods
3920, 3921	Poly vinyl chloride (PVC) Flex Films
8541 42 00, 8541 43 00 or 8541 49 00	All goods other than goods on which exemption from BCD is allowed under Notification 51/96-Customs or Notification No. 24/2005-Customs
8711	All goods other than: 1) Motor cycles and cycles fitted with auxiliary motor 2) Electrically operated vehicles
9028 30 10	Smart Meters for alternating current
9802 00 00	A) All goods (except undenatured ethyl alcohol of any alcoholic strength for any use) not for use in: i) laboratory; or ii) Research and Development purposes B) Undenatured ethyl alcohol of any alcoholic strength for any use.
98	Silver and Gold

CTH	Product Description
9804	All goods other than goods intended for personal use, and exempted from any prohibition
71 or 78	i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger
9018, 9019, 9020, 9021, 9022	All goods other than those on which exemption is claimed and allowed under Notification No. 8/2020-Customs
8703	All goods except: i) Motor cars or other motor vehicles which have not been registered anywhere prior to importation, if imported as a completely knocked down kit for assembling a complete vehicle with engine, gearbox and transmission mechanism not in a pre-assemble condition; and Electrically operated vehicles, if imported incomplete or unfinished, as a knocked down kit containing necessary components, none of which are inter-connected with each other and not mounted on a chasis

- SWS exemption withdrawn with effect from 02.02.2025

CTH	Product Description
3302 10	All goods other than goods covered under S. No. 239 of the Table to Notification No. 50/2017
8702, 8704	All commercial vehicles (including electric vehicles), falling under heading 8702 and 8704, if imported as completely built units (CBUs)

b. Rules and Notification related changes:

- Changes in Notification No. 50/2017- Customs dated 30.6.2017:

S. No.	S. No. of 50/17-Cus	Brief Description
1.	257A	9 new groups of items such as sea shell, adhesive etc are being added to the list of duty free items for use in manufacture of handicrafts for export. The time period for export of the handicraft items is also being increased from 6 months to 1 year, further extended by another three months.
2.	539	BCD exemption is being extended to imports of ground installations for satellites and payloads and its spares and consumables of such installations.
3.	539A	BCD exemption is being provided on goods for use in the building of launch vehicles and launching of satellites

- Amendment of Notifications Nos. 16/2017-Customs dated 20.04.2017 and 153/94-Customs dated 13.07.1994:

Notification No.	Brief Description
16/2017-customs dated 20.04.2017	The notification exempts specified drugs and medicines from the whole of the duty of customs leviable thereon subject to their being supplied free to cost to patients under Patient Assistance Programme (PAP) run by the pharmaceutical companies.

Notification No.	Brief Description
	37 new drugs and 13 patient assistance programmes are being added to the list
153/94-customs dated 13.07.1994	Currently, articles of foreign origin can be imported into India for maintenance, repair and overhauling subject to their export within six months extendable to 1 year. The duration for export in the case of railway goods imported for such purpose has been increased from 6 months to 1 year further extendable by 1 year

- Changes to IGCR (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2017:

  Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from current six months to one year. Further, the importers will now have to file only a quarterly statement instead of monthly statement.

c. Legislative changes (changes with effect from 01.05.2025, or as may be specified)

Customs Act, 1962

Section 18

- Sub-section (1B) is being added to set a clear two-year time limit for finalizing provisional assessments.
- Sub-section (1C) inserted to allows suspension of the two-year time limit for provisional assessments on certain grounds.
- Section 18A is being added, allowing importers and exporters to voluntarily revise entries post-clearance within a prescribed time and under specific conditions.

Section 27

- Explanation is being added to sub-section (1), clarifying that the refund claim period for revised entries under Section 18A or amendments under Section 149 shall be one year from the date of duty or interest payment.

Section 28

- Clause is being introduced in Explanation 1 of Section 28 to specify that the relevant date for duty paid under a revised entry, as per Section 18A, shall be the date of payment of duty or interest.

Section 127

- New clause is being added after clauses (d) and (e) in Section 127A to define "Interim Board," "Member of the Interim Board," and "pending applications."
- Two provisos are being added after sub-section (5) of Section 127B, setting a deadline for the receipt of applications under this section.
- A new sub-section is being inserted after sub-section (11) in Section 127C, introducing a time limit for extensions granted by the Interim Board.
- Sub-section is being added after sub-section (2) in Section 127D, clarifying that the Interim Board will assume the powers of the Settlement Commission, with the provisions of this section applying accordingly.
- Sub-section is being inserted after sub-section (4) in Section 127F, specifying that the Interim Board will perform the functions and powers of the Settlement Commission.
- A proviso is being added to Section 127G, reinforcing that the Interim Board will exercise the same powers and functions as the Settlement Commission.

Customs Tariff Act, 1975

- The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to, -
  - o reduce the tariff rate from 25%, 30%, 35%, 40% to 20%
  - o reduce the tariff rate from 150%, 125%, 100% to 70%
  - o reduce the tariff rate on certain items
  - o tariff's effective rates in the Schedule

- o create new tariff items based on process (parboiled, others) and on variety (rice recognized by Geographical Identification Registry, basmati, others) under sub-heading 1006 30
- o create new tariff items under 'Makhana' products (popped, flour and powder, others) and consequent re-numbering of existing entries under sub-heading 2008 19
- o create new tariff items to separately identify waste oils containing different levels of concentration of levels of polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs) under sub-heading 2710 91
- o create new tariff items for identification of certain dual-use chemical for non-pesticidal use in chapter 28
- o create new tariff items and supplementary notes for identification of certain dual-use chemical for non-pesticidal use and certain goods covered by International Conventions in chapter 29
- o create new tariff items and supplementary notes for identification of certain technical-grade pesticides and certain goods covered by International Conventions in chapter 38
- o create new tariff lines to distinguish precious metals – containing 99.9% or more by weight of silver, containing 99.5% or more by weight of gold, containing 99% or more by weight of platinum under headings 7106, 7108 and 7110 respectively
- o changes in heading 8112 to align with WCO HS 2022
- o changes in sub-heading note 2 to chapter 85 to align with WCO HS 2022

AMENDMENTS IN THE CGST, IGST & UTGST ACT

- Amendment in Section 2 of the CGST Act, 2017, in clause (61), inserts the terms "of this Act or under sub-section (3) or sub-section (4) of Section 5 of the Integrated Goods and Services Tax Act, 2017" after the word "Section 9". This amendment, effective from the 01-Apr-2025, explicitly includes inter-state Reverse Charge Mechanism transactions under Input Service Distributor.

- The Amendment in Section 2 of the CGST Act, 2017, in clause (69), adds the word "fund" after the terms "management of a municipal." Additionally, an explanation has been inserted after sub-clause (c) to define the terms "local fund" and "municipal fund".

- A new provision has been introduced in the CGST Act, 2017 through Section 148A to enable the Government to enforce a Track and Trace Mechanism for certain commodities prone to tax evasion. This system will use a Unique Identification Marking, which will be affixed to the goods or their packaging. This legal framework aims to help trace these commodities throughout the supply chain. In view of this, a new clause (116A) has been added after clause (116) to define "Unique Identification Marking." This term refers to a unique, secure, and non-removable marking, such as a digital stamp or digital mark, as specified in clause (b) of sub-section (2) of the newly inserted Section 148A.

- An amendment is proposed to omit Section 12(4) and 13(4) of the CGST Act, which previously determined the time of supply for vouchers. Prior to this omission, if the goods or services linked to a voucher were identifiable at issuance, the supply was deemed to occur on that date; otherwise, it was considered at the time of redemption.

- In sub-section (5) of Section 17, in clause (d), the words "Plant or machinery" have been substituted to "plant and machinery" retrospectively from 01-Jul-2017. Since this clarification is applied retrospectively, it is understood to override earlier interpretations and judgments passed by courts, tribunals or other authorities.

- Section 20 of the CGST Act, 2017 outlines how the Input Service Distributor (ISD) should distribute input tax credit. The ISD is an office of a supplier that receives tax invoices for input services and distributes the input tax credit to different branches or units of the supplier.

  Original Provisions:

  Any office of the supplier that receives tax invoices for input services, including services taxed under sub-section (3) or (4) of section 9, must register as an ISD and distribute the input tax credit for these invoices. The ISD must distribute the credit of central tax or integrated tax charged on invoices, including services taxed under sub-section (3) or (4) of section 9, to distinct persons registered in the same state as the ISD, following prescribed rules and conditions.

The amendment to sub-sections (1) and (2) of Section 20 adds the words "Sub-Section (3) or (4) of Section 5 of the IGST Act, 2017." This explicitly includes inter-state Reverse Charge Mechanism (RCM) transactions under the ISD provisions. This means that the ISD will now also handle input tax credit for inter-state transactions where the recipient is liable to pay tax under the RCM. This change will take effect from 01-Apr-2025.

Impact:

This amendment ensures that inter-state RCM transactions are clearly covered under the ISD provisions, providing clarity and consistency in the distribution of input tax credit for such transactions.

- Section 34 of the CGST Act, 2017, deals with credit and debit notes. It requires any registered person issuing a credit note for a supply of goods or services to declare the details in the return for the month in which the credit note was issued. This declaration must be made by the 30th of November following the end of the financial year in which the supply was made, or by the date of furnishing the relevant annual return, whichever is earlier. The tax liability will be adjusted accordingly. However, no reduction in output tax liability is allowed if the tax and interest on the supply have been passed on to another person.
- The amendment adds new conditions for reducing output tax liability. The reduction will not be allowed if the Input Tax Credit (ITC) is not reversed by the recipient or if the tax burden has been passed on to another party, such as a consumer.

Impact:

This amendment ensures that the reduction in output tax liability is only permitted when the recipient has reversed the ITC or the tax burden has not been passed on to another party. This change aims to prevent misuse of credit notes and ensure that the tax liability is accurately adjusted.

- In Section 38(1) of the CGST Act, 2017, the term "auto-generated statement" has been replaced with "a statement". In light of introduction of Invoice Management System where the taxpayers can themselves accept or reject invoices appearing in the previously auto-generated statement. The proposed amendment in Section 38(2) aims to replace the phrase "auto-generated statement under" with "statement referred in." In clause (a), the word "and" has been removed. In clause (b), the word "including" has been added after "by the recipient," to make the clause more inclusive. A new clause (c) has been added to allow for the inclusion of other details as may be prescribed.

Impact:

The amendments make the rules around input tax credit statements more flexible and clear. By removing the term "auto-generated," the law now allows these statements to be created in different ways, not just automatically. Adding the word "including" ensures that recipients can provide a broader range of details. The newly introduced clause (c), allows for additional details to be required in the future, ensuring the law remains adaptable to changing needs.

- Amendment in Section 39 of the CGST Act, 2017, by way of adding the terms "conditions and restrictions" for filing returns, is an enabling clause to prescribe certain conditions and restrictions for filing the return.

- The substitution of the proviso to Section 107(6) revises the precondition for filing an appeal against a penalty order under Section 129(3) of the CGST Act, reducing the pre-deposit for filing appeal to appellate authority against orders demanding only penalty, from 25% to 10%. Accordingly, an insertion is made to Section 112(6) requiring an additional 10% pre-deposit for filing an appeal with the appellate authority for such orders.

- Insertion of new Section 148A after Section 148 of the CGST Act, 2017, to enforce the track and trace mechanism for specified evasion-prone commodities. Under the track and trace mechanism, a unique mark will be affixed on evasion-prone goods or packages to trace them throughout the supply chain, aimed at significantly reducing the possibility of tax evasion and other fraudulent activities. Further to enforce the same, a new Section 122B has been inserted after Section 122A in the CGST Act 2017, to provide for levying penalty for failure to comply with track and trace mechanism.

- A new clause (aa) has been added to Paragraph 8 of Schedule III, effective retrospectively from 01-Jul-2017. This amendment states that transactions involving goods stored in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) before they are cleared for export or moved to the Domestic Tariff Area (DTA) will not be considered as a supply of goods or services under GST. As a result, these transactions will not be subject to GST.

  Impact:

  This amendment clarifies that goods stored in SEZs or FTWZs before being exported or moved to the DTA are not subject to GST. This provides a clear legal framework for such transactions, ensuring that businesses involved in warehousing goods in these zones are not liable for GST on these transactions.

- Section 128 allows the government to waive off penalties or fees, either partially or fully. However, a new condition has been added that if taxes were paid that should not have been collected in the first place, no refund shall be given for those taxes, even if Section 128 had been in force all along.

Service tax

- No service tax shall be levied on insurance services provided by way of reinsurance under the Weather-Based Crop Insurance Scheme and the Modified National Agriculture Insurance Scheme for the period 01-Apr-2011 to 30-Jun-2017.

- A refund shall be granted for service tax collected, but which should not have been collected, had subsection (1) of Section 128 been in force at all times. Refund applications must be filed within six months of the enactment of the Finance Bill, 2025.

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KEY POLICY CHANGES IN FY 2025-26 AND BUDGET AMENDMENTS 2025

FEMA/RBI

- As per the Notification No S.O.3492(E), The Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 have been amended w.e.f. 16 August 2024 with the following key amendments stated below -

  1) Change in definition of control

  2) Change in definition of start-up

  3) Swap of equity instruments between Person Resident in India and Person Resident Outside India is now permitted to both individual and entities in case of issue of share / transfer of share under automatic route/ government route as the case maybe.

  4) Sectoral cap inserted for 'White label ATM Operations' whereby 100% foreign investment permitted under automatic route.

  5) Requirement of government approval applicable for any transfer of equity instruments of an Indian company or units by Person Resident Outside India to any Person Resident Outside India in all cases where government approval required for FDI.

  6) List of exclusions from definition of 'indirect foreign investment' expanded.

  7) Restriction of 49% of aggregate foreign portfolio investment in an Indian entity by Person Resident Outside India done away with whereby aggregate FPI investment restricted to sectoral cap.

- Vide Notification No. RBI/2024-25/79 A.P. (DIR Series) Circular No.18, dated 04 – Oct– 2024, RBI has come across instances of guarantees (including Standby Letters of Credit [SBLCs] and / or performance guarantees) issued by persons resident outside India, favouring persons resident in India, which are not permitted under the extant FEMA regulations.

- Vide Notification No. RBI/2024-25/90 A.P. (DIR Series) Circular No. 19, dated 11-Nov-2024, RBI has outlined an operational framework for reclassifying Foreign Portfolio Investment (FPI) to Foreign Direct Investment (FDI) if the 10% of diluted total paid-up equity capital as specified under Schedule II of FEMA (Non-Debt Instruments) Rules, 2019 is breached. The FPI must either divest or reclassify within 5 trading days, subject to RBI and SEBI conditions, except in FDI-prohibited sectors. Further, SEBI has recognised the reclassification of FPI to FDI in compliance with the above circular vide Circular No. SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/152.
- Vide Circular FMRD.FMD.No.06/14.01.006/2024-25 dated 7-Nov-2024, RBI, in consultation with the Government of India, has published an indicative issuance calendar for Sovereign Green Bonds (SGrB) for the second half of FY 2024–25. Now, 10-year SGrBs issued during this period are designated as "specified securities" under the Fully accessible Route (FAR), broadening investment opportunities for non-resident investors.
- Vide Notification No. RBI/FED/2024-25/78 A.P. (DIR Series) Circular No.17, the Foreign Exchange (Compounding Proceedings) Rules, 2024 supersede the 2000 Rules, raising the monetary compounding limits for RBI officials and increasing the application fee to ₹10,000 + GST, payable online. Additional non-compoundable cases now include contraventions under Section 37A or matters already penalized under Section 13 of FEMA. The application form has also been made more detailed, incorporating prior compounding details.
- New FAQs issued by RBI:
    1) International Trade Settlement in Indian Rupees (INR)
    2) Special Non-Resident Rupee Accounts
    3) Foreign Currency Accounts by Resident Individuals
    4) Accounts in India by Non-residents
    5) FAQs on Compounding of Contraventions under FEMA, 1999

SEBI

- Vide Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/172 dated 10- Dec- 2024, SEBI introduced an optional T+0 settlement cycle in equity cash markets (beta version) for 25 scrips and select brokers, beginning March 28, 2024. Non-custodian clients may participate, and coverage will expand by 100 scrips monthly to reach the top 500.
- SEBI's LODR Third Amendment 2024 takes effect on 31.12.2024, with secretarial audit norms from 01.04.2025. Notable changes include designating a KMP as Compliance Officer, shareholder approvals for directors over age 75, new RPT provisions (omnibus approvals and ratifications), and mandatory peer-reviewed secretarial audits.
- The timeline for non-tax litigation disclosures extends to 72 hours. Promoter reclassification deadlines are now stricter (two months for board analysis and 60 days post-exchange NOC for shareholder approval). Listed entities must also publish their AoA, KMP profiles, and employee benefit scheme details on their websites, aiming to boost transparency and timely reporting of material events.

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CAPITAL MARKET

Capital markets are central to India's growth story, catalyzing capital formation for the real economy, enhancing the financialization of domestic savings, and enabling wealth creation. As of December 2024, the Indian stock market has achieved new highs, with intermittent corrections, during geopolitical uncertainties, currency depreciation and domestic market volatility challenges. Investor participation has been a contributor, with the number of investors growing from 4.9 crore in FY 20 to 13.2 crore as of 31 December 2024. This growth, combined with active listing activity and recent measures by the regulator, viz. Securities and Exchange Board of India (SEBI), to temper excesses, is expected to foster sustainable market expansion.

The primary markets continued to witness heightened listing activities and investor enthusiasm in FY 25, notwithstanding the market volatility and geopolitical uncertainties. As per the E&Y Global IPO trends, Indian stock exchanges provide conducive market conditions for foreign conglomerates to list their local subsidiaries, thereby offering a good opportunity for unlocking value. India's share in global IPO listings surged to 30 per cent in 2024, up from 17 per cent in 2023, making it the leading contributor of primary resource mobilization globally.

The total resource mobilization from primary markets (equity and debt) stands at ₹11.1 lakh crore from April to December 2024, which is 5 per cent more than the amount mobilized during entire FY 24. This also amounts to 25.6 per cent of gross fixed capital formation of private and public corporations during FY 24. The number of IPOs increased by 32.1 per cent to 259 during April to December 2024 from 196 in the corresponding period of the previous year, while the amount raised almost tripled from ₹53,023 crore to ₹1,53,987 crore in the same period. The mainboard platform witnessed a significant increase in issue size as the average IPO deal size rose to ₹ 2,124 crore, up from ₹814 crore in entire FY 24. In the case of small and medium enterprises (SMEs) IPOs, the average deal size increased to ₹39 crore from ₹31 crore during the same period.

Reflecting the buoyant market conditions, Qualified Institutional Players (QIPs) emerged as the preferred equity fundraising mechanism for the corporates during FY 25, with a 11.4 per cent share in total capital raised. Resource mobilization through rights issues remains buoyant, with ₹16,881 crore raised during April to December 2024, compared to ₹6,538 crore in the corresponding period of the previous year.

The domestic corporate debt market continued to gain significant traction during the year. The value of corporate bond issuances stood at ₹7.3 lakh crore from April to December 2024, with an average monthly issuance of ₹ 0.8 lakh crore, higher than the average of ₹0.66 lakh crore in the corresponding period of the previous year. Private placements remained the preferred channel for corporates, accounting for 99.1 per cent of total resources mobilized through the bond market. Increasing investor demand and elevated costs of borrowing from banks have made these markets more attractive for corporates for funding requirements.

In contrast to the equity market, the debt market in India remains under capitalized. As a percentage of GDP, the corporate bond market is only 18 per cent in India, as opposed to 80 per cent in Korea and 36 per cent in China. The market for corporate bonds comprises high-end bonds, with 97 per cent of corporate bond issuances concentrated in the top 3 rating categories (AAA, AA+ and AA). Issuers who are unable to get these ratings are unable to access the bond market. This may explain why most issuers are NBFCs or public sector undertakings (PSUs).

An overwhelming majority of corporate bond issuance happens through the route of private placement, which actively deters the participation of retail investors. In FY 24, the public placement of corporate bonds stood at ₹19,000 crore against the private placement of around ₹8,38,000 crore. The financial services sector dominates the issuance of corporate bonds at nearly 60 per cent of the total (International Monetary Fund (IMF), 2023). Outside financial services, real estate and power generation/ supply comprise the rest. Consequently, corporate bond issuance from manufacturing and non-energy infrastructure sectors is a very small proportion of the overall bond market. From April to December 2024, ₹16,456 crore was raised by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

If liquidity has to enter corporate bond markets, problems such as entry costs, information asymmetry, and the absence of a secondary market must be addressed. For example, insurance and pension funds cannot be invested in bonds that are lower than AA-rated. This effectively crowds out small players in the corporate bond market. Liquidity is also bottled through regulations that prevent provident funds from investing in corporate bonds for more than 3 years. Moreover, insurance funds are not allowed to invest in debt issued by private companies.

Turning to the performance of the secondary markets, since the commencement of FY 25, they have experienced significant volatility driven by various events. These include the general elections in June 2024, the unwinding of carry trades in Japan in August 2024, the escalation of conflict in the Middle East and the U.S. Presidential Election (November 2024).

Notwithstanding the intermittent corrections, the markets showed a consistent upward trend until September 2024, scaling new all-time highs. Strong domestic economic prospects, robust domestic institutional investor inflows, foreign portfolio investments, anticipated policy pivots from major central banks, etc., drove the uptrend. However, this trend has moderated since October 2024, driven by economic stimulus measures in China, the US Presidential elections and valuation concerns. Because of recent corrections, the benchmark index, Nifty 50, delivered a return (in local currency) of 4.6 per cent return from April to December 2024. The highest returns (in USD) were delivered by Hong Kong's Hang Seng (22.2 per cent), followed by Nasdaq Composite (17.9 per cent), Singapore FTSE Straits Times (16.2 per cent) and South Africa's FTSE/JSE All Share index (13.3 per cent) during the same period.

Primary Market Resource Mobilization (Equity)

Period	Public Issue (IPO + FPO)		Rights Issue		QIPs		Preferential Allotments		Total	
	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)
FY 2023-24	273	67,982	67	15,110	61	68,972	689	45,155	1090	1,97,220
April – Dec'2024	261	1,72,137	107	16,881	83	1,26,269	766	68,851	1,217	384,137

Resource Mobilization in Corporate Bond Market

Period	Public Issue		Private Placement		Total	
	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)
FY 2023-24	45	19,168	1347	8,37,756	1392	8,56,924
April – Dec'2024	32	6,628	1,219	7,18,702	1,251	7,25,330

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ECONOMIC OUTLOOK

Global Economy

In the World Economic Outlook of January 2025, the International Monetary Fund (IMF) projects the global economy to grow at 3.3 per cent in calendar year 2025 and 2026. This projected growth is below its average of the first two decades of this century (2000-2019). While the global headline inflation is expected to decline, it is likely to be more in the advanced economies than in emerging markets and developing economies. The risks to medium term growth prospects still abound and tilt the baseline scenario to the downside amid elevated levels of policy uncertainty. Going forward, while divergent paths of monetary policies across countries could generate significant fluctuations in exchange rates and capital flows, emerging protectionism can fragment global trade flows. Therefore, rebuilding of fiscal buffers by countries is seen as a pre-requisite to be able to respond to unforeseen adverse events.

Indian Economy

As per the first advance estimates published by the National Statistics Office, India's real and nominal GDP growth rates have been pegged at 6.4 per cent and 9.7 per cent, respectively, in FY 2024-25. Private final consumption expenditure is expected to grow by 7.3 per cent in FY 2024-25. The real growth of gross fixed capital formation is estimated at 6.4 per cent in FY 2024-25. From the aggregate supply angle, real Gross Value Added (GVA) is estimated to grow by 6.4 per cent.

In FY 2024-25, while the agriculture sector is expected to rebound with an estimated growth of 3.8 per cent due to better Kharif crop output and good Rabi crop prospects, the industrial sector is likely to register a growth of 6.2 per cent. Continued global uncertainty has affected the manufacturing exports. However, growth in the services sector is projected at 7.2 per cent.

Inflation

Inflationary pressures have moderated in FY 2024-25, with average retail inflation easing to 4.9 per cent (April-December) compared to 5.4 per cent in 2023-24. This decline was driven by benign core (nonfood, non-fuel) inflation trends. The overall retail inflation remained within inflation-band of 4+/- 2 per cent in FY 2024-25 (April-December). Supply-side measures from the Government - strengthening the buffer stock of essential food items, periodic open market releases, subsidized retail sale of items like rice, wheat flour, pulses and onion in specified outlets, easing of import restrictions on essential food items, etc. have helped contain food inflation.

External Sector

India's merchandise exports grew at 1.6 per cent (YoY basis) in April-December 2024. During the same period, non-petroleum exports recorded a growth of 7.1 per cent. Further, the non-petroleum and non-gems and jewellery exports rose by 9.1 per cent. Merchandise imports grew by 5.2 per cent during April-December 2024. This was largely due to rise in non-oil, non-gold imports. The merchandise trade deficit in April-December 2024 is pegged at USD 210.8 billion. India's services exports recorded a healthy growth of 11.6 per cent in April-December 2024. It contributed to net services receipts of USD 131.3 billion in April-December 2024.

India's current account deficit (CAD) moderated to 1.2 per cent of GDP in Q2 of FY 2024-25 against 1.3 per cent of GDP in Q2 of FY 2023-24. Foreign Direct Investment (FDI) flows recorded a revival in FY 2024-25. While the gross FDI inflows increased from USD 42.1 billion (in April-October of FY 2023-24) to USD 48.6 billion (in the same period of FY 2024-25), net FDI inflows are pegged at USD 14.5 billion in April-October of the current FY.

Foreign Exchange Reserves & Exchange Rate

India's foreign exchange reserves are estimated at USD 640.3 billion at the end of December 2024. It is sufficient to cover about 90 per cent of the country's external debt. The import cover - a crucial indicator of external sector stability - is 11 months as of November 2024. Further, the ratio of short-term debt to foreign exchange reserves decreased from 20.3 per cent at the end of June 2024 to 18.9 per cent at the end of September 2024.

Developments in Capital Markets

Total resource mobilization from primary markets (equity and debt) stands at ₹11.1 lakh crore during April-December 2024, recording a growth of 5 per cent over FY 2023-24. The number of Demat accounts has grown by 33 per cent to 18.5 crore as of December 2024 on a YoY basis. In the equity cash segment, individual investor share turnover was about 35.6 per cent from April to December 2024. There were 11.5 crore unique investors with Demat accounts and 5.6 crore unique investors in mutual funds at the end of December 2024.

Monetary and liquidity conditions

During April-December 2024, the Monetary Policy Committee (MPC) of the RBI, in its various meetings, decided to keep the policy repo rate unchanged at 6.5 per cent. Until its August 2024 meeting, the Committee retained its stance of 'withdrawal of accommodation' to ensure that inflation aligns with the target while supporting growth. The MPC, in its October 2024 meeting, changed the monetary policy stance from 'withdrawal of accommodation' to 'neutral'. In its December 2024 meeting, a reduction in Cash Reserve Ratio (CRR) to 4.0 per cent of the net demand and time liabilities (NDTL), from 4.5 per cent, was announced.

Gross non-performing assets (GNPA) ratio of scheduled commercial banks (SCBs) has declined from its peak in FY 2017-18 to a 12-year low of 2.6 per cent at the end of September 2024. Lower GNPAs and higher provisions accumulated in recent years contributed to a decline in net NPAs to around 0.6 per cent at the end of September 2024. The restructured standard advances (RSA) ratio (share of RSA in total gross loans and advances of SCBs) declined from 1.8 per cent at the end of March 2022 to 0.7 per cent at the end of September 2024. All major bank groups have reported a decrease in this ratio. As transmission was faster for lending rates relative to deposit rates and the overall yield on assets has remained broadly stable during the last year, the net interest margin (NIM) has declined slightly across all bank groups. Despite a contraction in NIM, return on equity and return on assets ratios improved in September 2024.

Central Government Finances

Public finances of the Union Government have continued to build on the improvements seen in the preceding years. As of December 2024, the fiscal deficit of the Union Government was 56.7 per cent of the budget estimate for FY 2024-25. This is in line with the target for the full year.

During April-December 2024, gross tax revenues increased by 10.8 per cent over the corresponding period of the previous year. On the whole, revenue receipts of the Union Government improved by 12.2

per cent in April-December 2024 compared to April-December 2023. Total expenditure of the Union Government increased by 5.8 per cent (YoY) during April - December 2024. After passage of the Union Budget (Regular) for FY 2024-25 in August 2024, the pace of capital expenditure increased by 27.6 per cent (YoY) during July-December 2024. The overall fiscal situation in the current financial year is stable.

Growth Outlook

Global macro-economic challenges and domestic developments will influence the growth outlook for the Indian economy in FY 2025-26. While the Government's continued public capital investment push and decline in inflation could positively impact growth, continued geo-political tensions and emerging protectionism pose risks.

The first advance estimates published by the National Statistics Office pegs India's real and nominal GDP growth rates at 6.4 per cent and 9.7 per cent, respectively, in FY 2024-25. Inflation is expected to decline in FY 2025-26. The RBI has projected inflation at 4.6 per cent and 4.0 per cent in Q1 and Q2 of FY 2025-26, respectively. Even though the outlook for commodity prices remains benign, geopolitical triggers may aggravate price pressures.

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SECTORAL ANALYSIS

Agriculture and Allied Sectors — Positive

Budget Proposal

- Pradhan Mantri Dhan Dhanya Krishi Yojana - will benefit at least 1.7 crore farmers across 100 districts with low productivity.
- Self-Reliance in Pulses: Six-year mission to achieve self-reliance in pulses, including tur, urad and masur. Central agencies like the National Agricultural Cooperative Marketing Federation of India Limited (NAFED) would be tasked with the responsibility of procuring these three pulses from farmers who get registered on the agencies' platform and entering into agreements.
- Kisan Credit Card: Facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers with enhanced loan of ₹5 lakh. Additionally, the loan limit under the modified interest subvention scheme will be increased from ₹ 3,000 to ₹ 5,000 for loans taken through the KCC.
- National Mission on high yielding seeds: Targeted development and propagation of seeds with high yield, pest resistance and climate resilience.
- Makhana Board in Bihar: Makhana Board will be established in Bihar to improve production and processing of fox nuts.

Impact

- These measures should boost agricultural productivity and resilience and promote sustainable practices.
- Measures are expected to strengthen the supply chains and market access. This will support farmer producer organizations and cooperatives.
- Measures will boost agricultural productivity through crop diversification, sustainable farming practices, enhancing storage at the Panchayat and block levels, improving irrigation facilities, and facilitating access to both long-term and short-term credit

Insurance **Positive**

Budget Proposal

- FDI Limit: FDI limit for insurance sector to be raised to 100% from 74% earlier.
- Companies to benefit from: Enhanced limit will be available for those companies which invest the entire premium in India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified.

Impact

- Measures are likely to attract capital and expertise which is likely to boost market competitiveness.
- Likely to strengthen India's position as a global investment hub while ensuring long term sustainability.

Infrastructure & Energy **Positive**

Budget Proposal

- Total outlay of 11.2 lakh crore, up 10% YoY as compared to revised estimate for FY 25.
- With an outlay of ₹ 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Asset Monetization Plan 2025-30: launched to plough back capital of ₹ 10 lakh crore in new projects.
- Power Sector Reforms: Incentivize distribution reforms and augmentation of intra-state transmission. Additional borrowing of 0.5% of GSDP to states, contingent on these reforms.
- Nuclear Energy Mission: Nuclear Energy got much needed boost with Union budget setting an aim of 100 GW capacity by 2047.

Impact

- Measures are likely aimed at securing energy supplies while moving towards a more clean and renewable energy source.
- Emphasis on Urban and Rural Infrastructure will facilitate development and connectivity while boosting manufacturing and business activities.

People, Education & Innovation — Positive

Budget Proposal

- Centre of Excellence in Artificial Intelligence for education with a total outlay of ₹ 500 crore.
- Atal Tinkering Labs – 50,000 labs to be setup in government schools in next 5 years.
- Fund of Fund for startups – fresh contribution of ₹ 10,000 crore.
- Expansion of capacity in IITs and expansion of medical education – 10,000 additional seats this year with the goal of adding 75,000 seats in the next 5 years.
- Saksham Anganwadi and Poshan 2.0 – providing nutritional support to more than 8 crore children.
- 5 National centres of Excellence for skilling to be set up with global expertise and partnerships.
- Social Security Scheme for Welfare of online platform workers – to benefit up to 1 crore gig economy workers.

Impact

- Ensure that youth are well trained and equipped with necessary skills for "Make for India and Make for the World" manufacturing and in emerging tech fields.
- Provide capital to innovative enterprises that will foster a vibrant startup ecosystem.
- Gig Economy workers will be provided with healthcare benefits under PM Jan Arogya Yojana.

Manufacturing, MSME & Exports — Positive

Budget Proposal

- Focus product scheme for Footwear & Leather sector – to support design capacity, component manufacturing and machinery requirement.
- National Action Plan for Toys – Make India a global hub for toys, ecosystem to create high quality, unique toys.

- National Manufacturing Mission – for furthering Make in India by providing policy support, execution roadmaps etc.
- Clean Tech Manufacturing – Build an ecosystem for Solar PV cells, EV batteries, motors and controllers etc.
- Export Promotion Mission – to facilitate easy access to export credit, cross border factoring support.
- Enhanced credit guarantee cover – leading to additional credit of ₹ 1.5 lakh crore.
- Credit Cards – 5 lakh limit for Micro Enterprises registered on Udyam Portal.

Impact

- Enhanced credit guarantee to MSMEs, Startups – increasing access to capital and financial support which will drive growth initiatives and create jobs.
- Job creation for around 22 lakh people in footwear & leather industry.
- Enhance India's export competitiveness, empowering businesses to expand their reach into international markets.

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