

UNION BUDGET 2025

KEY HIGHLIGHTS

FEBRUARY 2025



FOREWORD

We are pleased to present BnB's comprehensive analysis of the Union Budget 2025-26.

This year's budget comes at a crucial juncture, balancing economic resilience with forward-looking reforms as India navigates global challenges while advancing toward its "Viksit Bharat" vision. With a strong focus on sustaining growth, fostering ease of doing business, and enhancing global competitiveness, the budget outlines a strategic approach to long-term economic stability.

Key priorities include fiscal prudence, domestic investment, and regulatory simplifications — all aimed at strengthening the economic framework. The government's emphasis on infrastructure development, MSME growth, and tax rationalization underscores a commitment to inclusive prosperity. Notably, taxation reforms remain a pivotal focus, with moves toward simplifying compliance, increasing transparency, and introducing a streamlined Income-tax Act.

Beyond tax reforms, the budget reinforces structural improvements across financial services, trade, and regulatory frameworks, ensuring a business-friendly environment. Sector-specific incentives, enhanced foreign investment avenues, and measures to promote domestic manufacturing and skill development reflect the government's vision for sustainable expansion.

At Bhatia & Bhatia, we have analyzed the key provisions and their implications to help businesses and individuals navigate these changes effectively. This publication offers insights into direct and indirect tax updates, sectoral initiatives, and broader policy shifts, equipping you with the knowledge needed for strategic decision-making.

We hope this analysis serves as a valuable resource in understanding the evolving tax and regulatory landscape.

Bhatia & Bhatia, Chartered Accountants





Direct Tax Proposals

SIMPLIFICATION OF TAX PROVISIONS FOR CHARITABLE TRUSTS/INSTITUTIONS

A trust or institution registered under Section 12AB of the Income Tax Act can claim exemption on its income, provided it meets the prescribed conditions. The exemption and levy of tax on trusts/ institutions is governed by a separate tax code embedded in the Act. The Indian Government has been endeavoring to simplify the tax regime for trusts and the proposals introduced in the latest Finance Bill depicts their continued efforts:

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

The current provisions of section 12AB(4) empower the Principal Commissioner or Commissioner of Income-tax to cancel the registration granted to a trust or institution if it identifies one or more 'specified violations' post approval of registration application. "Specified violations" has been defined in the explanation to the said provision and includes cases where an application under Section 12A(1)(ac) is incomplete or contains false or incorrect information in its scope.

Owing to the above-stated definition, the current provision enabled cancellation of a registration on account of even minor defaults, such as an incomplete application under Section 12A(1)(ac), making the trust or institution liable to tax on accreted income under Chapter XII-EB. In order to provide relief to the taxpayers, the Hon'ble Finance Minister has proposed to amend the Explanation to Section 12AB(4) to clarify that an incomplete application for registration will not be considered a specified violation for the purpose of cancellation.

The change is expected to take effect from 01 April 2026.

BnB Comments:

The proposed amendment is a welcome relief for trusts and institutions, as it prevents the cancellation of registration due to minor procedural lapses. This change ensures that tax exemptions are not unfairly revoked, thereby fostering a more stable and predictable compliance environment for genuine charitable organizations.

Period of registration of smaller trusts or institutions

Under Section 12AB, trusts or institutions currently obtain registration for 5 years or provisional registration for 3 years if their activities have not commenced at the time of application. Upon expiry or after commencement of activities (for provisional registration), they must reapply for further registration. However, the requirement to reapply every 5 years increases the compliance burden, especially for smaller trusts or institutions. To reduce this burden, it is proposed to extend the validity of registration from 5 years to 10 years for trusts or institutions that applied under Section 12A(1)(ac)(i) to (v) and have a total income (before applying Sections 11 and 12) not exceeding INR 5 crores in each of the two previous years preceding the application year.

Rationalization of persons specified under sub-section (3) of section 13 for trusts or institutions

Exemptions under sections 11 and 12 do not apply if a trust's income or property benefits certain specified persons, including substantial contributors (those contributing over INR 50,000), relatives of such contributors, concerns where such contributors have a substantial interest. This provision posed difficulties in furnishing details of such specified persons, except the author, founder, trustee or manager of such trust or institution.

In response to these concerns, the following changes have been proposed:

- The Finance Bill 2025 proposes to increase the threshold for substantial contribution from INR 50,000 to INR 100,000 during the relevant financial year or beyond INR 1,000,000 in aggregate up to the end of the financial year.
- Additionally, the Bill seeks to exclude relatives of specified persons and concerns in which they hold a substantial interest from the purview of Section 13 of the Act.

These amendments will apply to specified persons other than the author, founder, trustee, or manager of the trust or institution.

GIFT CITY INCENTIVES

Since its establishment in 2015, GIFT City has been a primary focus area for the Indian Government. The Government has been consistently undertaking initiatives to promote investment in the region and has offered various incentives to enable the region's development as a prominent financial hub. In continuation of these efforts, the Honourable Finance Minister has introduced further incentives to encourage operations in the GIFT City:

i. Extension of Sunset Clauses:

The Indian Government has introduced various tax incentives for IFSC units over the years, subject to a sunset date of 31 March 2025, for commencement of operations or relocation of funds, as the case may be. With the Finance Bill 2025, the Hon'ble Finance Minister has proposed to extend these sunset dates to 31 March 2030 to give the IFSC units a further opportunity to avail the benefits. The revised sunset dates apply to the following sections of the Act:

Section	Exemption
80LA (2)(d)	Income arising from transfer of an aircraft or a ship leased by a unit in IFSC to a person, provided that the unit should have commenced operations on or before March 31, 2030.
10(4D)	Income from a securitisation trust (which is chargeable under the head 'Profits and Gains of Business or Profession') to the extent such income is attributable to the investment division of offshore banking unit which has commenced its operations in the IFSC on or before March 31, 2030.
10(4F)	Royalty or Interest income in the hands of non-residents from leasing aircrafts or ships to a unit which has commenced operations in the IFSC on or before March 31, 2030.
10(4H)	Capital gains income in the hands of non-residents engaged in aircraft leasing or aircraft leasing units in the IFSC, from the transfer of equity shares of an aircraft leasing unit which has commenced operations in the IFSC on or before March 31, 2030.
47(viiac)47(viiad)	Capital gains income the relocation of an offshore to the IFSC, where the relocation takes place on or before March 31, 2030.
9A(8A)	Government's power under Section 9A(8A) to modify eligibility conditions in relation to offshore funds managed by IFSC-based managers which have commenced operations on or before March 31, 2030.

The change is expected to take effect from 01 April 2026.

ii. Relaxation in the definition of ‘deemed dividend’ for treasury centers in the IFSC:

Section 2(22)(e) of the Act includes certain advances or loans made by a company to its shareholders or affiliated concerns under the scope of ‘dividend’ by way of a deeming provision. Specifically, amounts paid to a shareholder holding at least 10% of the voting power in a private company or substantial interest in a concern are deemed to fall within the meaning of dividend. Loans made in the ordinary course of business by companies primarily engaged in lending are excluded.

The deemed dividend provisions posed a risk of tax outflow on account of lending and borrowing activities of the corporate treasury centers based in the GIFT City. Accordingly, in order to avoid unintended consequences, the latest Finance Bill has proposed to exclude payments in the nature of loans or advances between two group entities from the definition of “dividend” under the Act, provided that one of the entities is a Finance Company or Finance Unit registered with the International Financial Services Centres Authority (IFSCA) for global or regional corporate treasury operations.

The parent or principal entity of the group is listed on an offshore stock exchange.

This measure is designed to accelerate economic expansion, improve cross-border business synergies, and attract international capital to the IFSC, complementing the Government’s efforts to bolster India’s financial landscape.

The change is expected to take effect from 01 April 2026.

BnB Comments:

The amendment exempts inter-company loans between group entities, where one is a finance unit in the IFSC and the parent is offshore-listed, from being treated as dividends. This step prevents unwarranted tax outflow on routine treasury operations, thereby promoting cross-border business synergies and attracting global capital to the IFSC.

iii. No more premium caps for IFSC life insurance policies:

Section 10(10D) of the Act provides that any sum received under a life insurance policy, including bonuses, is exempt from tax. However, the said provision excludes unit-linked insurance policies (ULIPs) with annual premiums exceeding INR 2.5 lakhs and traditional life insurance policies (excluding ULIPs) with annual premiums exceeding INR 5 lakhs from its ambit.

In the context of IFSC units, the exclusion in section 10(10D) creates a disadvantage for non-residents purchasing life insurance from IFSC Insurance Offices compared to policies from foreign jurisdictions, where no such premium caps exist. To address this disparity and promote IFSC-based life insurance services among non-residents, the Finance Bill proposes removing the premium cap restrictions for policies issued by IFSC Insurance Offices and creating equal opportunities for them.

The change is expected to take effect from 01 April 2026.

BnB Comments:

The removal of premium caps for IFSC-issued life insurance policies levels the playing field for non-residents, making Indian IFSC insurers more competitive with their global counterparts. This move is expected to attract more international buyers and boost the IFSC’s position as a global insurance hub.

iv. Capital gains and dividend exemptions for ship leasing in the IFSC:

Under Section 10(4H), non-residents and IFSC units engaged in aircraft leasing are exempt from capital gains tax on the transfer of equity shares of domestic companies operating as IFSC units in the same sector. Similarly, Section 10(34B) exempts dividends paid by one IFSC-based aircraft leasing unit to another.

The Finance Bill proposes extending these exemptions to ship leasing units in IFSC, ensuring that businesses engaged in ship leasing receive the same capital gains and dividend tax benefits as those in the aircraft leasing sector.

v. Exemption on income of Non-resident from Specified Derivatives entered into with FPIs in IFSC:

Under Section 10(4E) of the Income Tax Act, non-residents are eligible for a tax exemption on income derived from Specified Derivatives—such as non-deliverable forward contracts, offshore derivative instruments, and over-the-counter derivatives—when traded with banking units in the IFSC.

The Finance Bill proposes to expand this exemption to cover income earned from such derivatives when transacted with Foreign Portfolio Investors (FPIs) operating in the IFSC. This move is in line with the Government's objective of strengthening IFSCs, such as GIFT City as a globally competitive financial hub, providing a regulatory and tax framework on par with other international jurisdictions.

The change is expected to take effect from 01 April 2026.

vi. Expansion of Tax-Neutral Relocations to Retail Schemes and Exchange Traded Funds (“ETFs”) in IFSC:

The Act provides a tax-neutral treatment to the relocation of an overseas fund i.e., transfer of assets of a fund (that is the original fund) or of its wholly owned special purpose vehicle that is overseas, to a resultant fund in India, subject to satisfaction of certain conditions. This beneficial treatment is limited to a scenario where the resultant fund (i.e., the fund to which the assets are relocated) has been granted a certificate of registration as a Category I or II or III Alternative Investment Fund (AIF) and is regulated under the SEBI (AIF) Regulations, 2012 or regulated under the IFSCA (Fund Management) Regulations, 2022.

The Finance Bill, in order to encourage retail schemes or ETFs to relocate to the IFSC, proposes to extend the same benefit to retail schemes and ETFs that are regulated under the IFSCA (Fund Management) Regulations, 2022.

The exemption is expected to take effect from 01 April 2026.

vii. Relaxation in conditions prescribed for resident fund managers viz. business connection in India:

Section 9A of the Income Tax Act provides that the fund management activities carried out through an eligible fund manager for an eligible investment fund shall not be deemed a business connection of the fund in India, subject to certain specified conditions. One such condition, under Section 9A(3)(c), limits the participation or investment by Indian residents in the fund.

The Finance Bill proposes to relax this condition for all eligible funds, regardless of whether they are based in the IFSC. Under the proposed amendment, the aggregate participation or investment in the fund will be assessed as of 01 April and 01 October of the previous year. If the condition is not met on these dates, the fund will be granted a four-month grace period to comply.

Furthermore, the Finance Bill allows for the modification or relaxation of other conditions (other than the one in Section 9A(3)(c)) for investment funds with fund managers based in the IFSC, provided the fund manager commences operations before 31 March 2030.

BnB Comments:

The amendment provides flexibility by assessing Indian participation only on two specific dates and allowing a four-month compliance window. By easing compliance timelines and granting conditional relaxations for IFSC-based fund managers, the move strengthens India's appeal as a global investment hub.

INDIVIDUAL TAXATION

i. Revision in tax rates for taxpayers under the new tax regime

With the introduction of section 115BAC in FY 2020-21, the Indian Government has been encouraging taxpayers to shift from the old regime to the new tax regime prescribed in the provision by way of favorable tax concessions and tax rates.

The Honourable Finance Minister in her Budget speech introduced significant tax relief for taxpayers taxed under section 115BAC, with the extension of tax rebate up to taxable income of INR 12 lakhs and a revision of slab rates and corresponding tax rates.

The relief introduced is limited to taxpayers governed by the new tax regime only. Where a taxpayer has opted to be taxed under the old tax regime, the revised slab rates and rebate thresholds shall not be applicable to it.

The revised slab rates under the new tax regime are as follows:

Old Regime		New Regime (AY 2025-26)		New Regime (AY 2026-27)	
Taxable Income	Tax Rate	Taxable Income	Tax Rate	Taxable Income	Tax Rate
Up to INR 2.5 lacs	Nil	Up to INR 3 lacs	Nil	Up to INR 4 lacs	Nil
INR 2.5 lacs to 5 lacs	5%	INR 3 lacs to 6 lacs	5%	INR 4 lacs to 8 lacs	5%
INR 5 lacs to 10 lacs	20%	INR 6 lacs to 9 lacs	10%	INR 8 lacs to 12 lacs	10%
Above INR 10 lacs	30%	INR 9 lacs to 12 lacs	15%	INR 12 lacs to 16 lacs	15%
		INR 12 lacs to 15 lacs	20%	INR 16 lacs to 20 lacs	20%
		Above INR 15 lacs	30%	INR 20 lacs to 24 lacs	25%
				Above 24 lacs	30%

The Finance Bill proposes to further increase the income limit for which no tax is payable, from INR 7 lakhs to INR 12 lakhs, while also raising the rebate limit from INR 25,000 to INR 60,000.

ii. Deduction under Section 80CCD for Contributions to NPS Vatsalya

The Finance Bill 2025 has extended tax benefits under Section 80CCD to contributions made to NPS Vatsalya, ensuring parity with the regular National Pension System (NPS). This means taxpayers contributing to NPS Vatsalya can claim tax deductions similar to those available under regular NPS accounts.

The benefit has been extended with the objective of encouraging long-term saving for children and providing an extra avenue for taxpayers to reduce their taxable income while securing their future.

- Tax Deduction: Contributions made to NPS Vatsalya will qualify for tax deductions under Section 80CCD(1), subject to the prescribed limits.
- Employer Contributions: Employer contributions to an employee's NPS Vatsalya account may qualify for deductions under Section 80CCD(2).
- Additional Deduction: Taxpayers can claim an extra INR 50,000 deduction under Section 80CCD(1B) beyond the standard INR 1.5 lakh limit under Section 80C.

BnB Comments:

Allowing tax deductions for NPS Vatsalya contributions strengthens long-term savings culture and provides families with a tax-efficient way to secure their children's future. This change not only enhances financial planning options but also aligns with global best practices in social security.

iii. Exemption to Withdrawals by Individuals from National Savings Scheme from Taxation

In a string of reliefs extended to individuals, the Hon'ble Finance Minister also introduced an exemption from tax on withdrawal from the National Saving Scheme. The Finance Bill 2025 aims to enhance the attractiveness of the National Savings Scheme (NSS) by introducing tax exemptions on withdrawals. Previously, withdrawals from NSS were subject to taxation, leading to reduced post-tax returns for investors. The Finance Bill 2025 proposes to extend the tax exemption to withdrawals made from NSS on or after 29 August 2024.

iv. Determination of Annual Value of Self-Occupied Property Simplified

The Indian Government has proposed to introduce a simplified approach to determine tax payable on self-occupied properties. Under the existing tax structure, if an individual owns more than one self-occupied property, one property is treated as self-occupied (subject to certain conditions), while the other is deemed to be let out and taxed accordingly.

Under the proposed law, an individual will be permitted to treat two house properties as self-occupied and have their annual value considered NIL for taxation purposes. Homeowners will not be taxed on notional rental income for a second self-occupied property. The existing 30% standard deduction for property maintenance remains applicable under Section 24(b).

This amendment to self-occupied property taxation aligns with the government's objective of easing the tax burden on homeowners while encouraging long-term real estate investments. It simplifies tax calculations and provides financial relief to individuals with multiple self-occupied homes.

v. Obligation to Furnish Information in Respect of Crypto-Assets

The Finance Bill 2025 introduces a new annual reporting requirement for individuals and entities engaged in crypto transactions. The measure aims to enhance transparency, prevent tax evasion, and regulate the growing digital asset market. The introduction of mandatory reporting for crypto transactions aligns with global trends in digital asset regulation. This move enhances financial transparency, reduces risks associated with crypto trading, and ensures fair taxation for all stakeholders. In this context, the Finance Bill 2025 proposes the following compliance measures:

Key Compliance Measures:

- Annual Reporting Requirement: Entities facilitating crypto transactions must submit a detailed report on:
 - Volume and value of transactions.
 - Identities of transacting parties.
 - Gains/losses incurred by users.
- Expanded Definition of Virtual Digital Assets (VDAs): The definition now covers all cryptographic assets using distributed ledger technology.
- Stronger KYC and Due Diligence Norms: Crypto exchanges and financial institutions must implement enhanced KYC (Know Your Customer) norms to track high-value transactions.

vi. Extension of Exemption to Specified Undertaking of Unit Trust of India (SUUTI)

The Finance Bill 2025 extends tax exemptions to Specified Undertaking of Unit Trust of India (SUUTI), facilitating government disinvestment and asset monetization in a tax-efficient manner. The key features of the extension:

- Capital Gains Tax Exemption: Gains from the transfer of shares held by SUUTI will continue to be tax-exempt, promoting smooth disinvestment.
- Exemption for Dividends and Interest: Income generated from dividends and interest on investments held by SUUTI remains non-taxable.
- Encouragement for Institutional Investors: By maintaining tax neutrality, this measure attracts more institutional and foreign investments in SUUTI-held assets.

The extension of tax exemptions for SUUTI supports government disinvestment strategies while ensuring market stability and investor confidence. This measure aligns with broader fiscal goals of efficient capital utilization and economic growth.

vii. Increase in the limits on the income of the employees for the purpose of calculating perquisites

Clause (2) of Section 17 of the Act includes the value of benefits/amenities provided by an employer free or at a concessional rate, if the employee's salary does not exceed INR 50,000 (set by Finance Act, 2001) in the ambit of 'perquisite'. Further, the proviso to Clause (2) of Section 17 excludes from 'perquisite' the expenditure on medical travel outside India for an employee or their family, if the employee's gross total income does not exceed INR 2 lakh (set by Finance Act, 1993).

The Indian Government has taken cognizance of the fact that these thresholds were defined a long time ago and with the changing times, business and economic conditions, these warrant revision. Accordingly, the Hon'ble Finance Minister has proposed to empower the government to be able to frame and issue rules in this regard at a later date, to ensure that amenities and benefits received by such employees are exempt from being treated as perquisites and medical travel expenses outside India for an employee or family are not treated as perquisites.

This change is expected to be applicable from **01 April 2026**, for **AY 2026-27 onwards**.

BnB Comments:

This proposed revision is a timely step to modernize the taxation of employee benefits. It acknowledges the changing economic landscape, ensuring that employees are not unfairly burdened by outdated limits.

TDS/ TCS PROVISIONS

i. TDS rates and thresholds revamped for easing compliances for taxpayers

Under the existing income tax regime, various TDS provisions have different threshold limits. The Finance Bill 2025 proposes to increase and rationalize these thresholds to ensure consistency and reduce complexity.

These changes aim to ease compliance requirements and enhance the ease of doing business. A summary of the proposed TDS threshold revisions is provided below:

S. No	Section	Current Threshold	Proposed Threshold
1	193 - Interest on securities	Nil	Rs. 10,000/-
2	194A - Interest other than interest on securities	(i) Rs. 50,000/- for senior citizen;(ii) Rs. 40,000/- in case of others when payer is bank, co-operative society and post office; (iii) Rs. 5,000/- in other cases	(i) Rs. 1,00,000/- for senior citizen; (ii) Rs. 50,000/- in case of others when payer is bank, co-operative society and post office; (iii) Rs. 10,000/- in other cases
3	194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-
4	194K - Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000/-	Rs. 10,000/-
5	194B - Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
6	194BB - Winnings from horse race	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction
7	194D - Insurance commission	Rs. 15,000/-	Rs. 20,000/-
8	194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-
9	194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-
10	194-I - Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month
11	194J - Fee for professional or technical services	Rs. 30,000/-	Rs. 50,000/-
12	194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	Rs. 5,00,000/-

ii. Reduction in compliance burden by omission of TCS on sale of specified goods

Section 206C(1H) of the Act requires sellers to collect tax at source (TCS) at 0.1% on sales exceeding Rs 50 lakh in a year. At the same time, section 194Q requires buyers to deduct tax at source (TDS) at the same rate on purchases exceeding Rs 50 lakh. The TCS provisions are not applicable if the same transaction has already been subject to TDS by the buyer. Considering the practical difficulty in deducing whether the transaction has already been subject to TDS or not, taxpayers would often deduct TDS and collect TCS on the same transaction leading to unintended cash leakage. To remedy the situation and ease compliance, it has been proposed that TCS under section 206C(1H) will no longer apply from April 1, 2025.

BnB Comments:

This amendment is a pragmatic approach to reduce compliance complexity and improve cash flow management for businesses. It eliminates the risk of duplicate tax deductions, providing a more efficient and fair tax system.

iii. Removal of higher TDS/TCS for non-filers of return of income

The latest Finance Bill proposes the removal of sections 206AB and 206CCA of the Act, which mandated higher tax deduction (TDS) and collection (TCS) rates for non-filers of income tax returns. At present, a deductor/collector is required to deduct TDS at the prescribed higher rate if the recipient does not hold a valid PAN or has not filed the income tax return for the preceding year.

Considering the practical challenges in determining whether the recipient has filed the tax return in preceding years or not, it has been proposed to remove this provision and retain the condition for tax deduction/collection at a higher rate in case the recipient does not hold a valid PAN.

BnB Comments:

This revision simplifies the TDS/TCS process by removing unnecessary complexities, ensuring a smoother tax system. It is a step towards greater ease of doing business while maintaining focus on ensuring compliance through PAN.

iv. Exemption from prosecution for delayed payment of TCS in certain cases

The Hon'ble Finance Minister has proposed to amend section 276BB to clarify that prosecution will not be initiated against a person if the tax collected at source is paid to the Central Government on or before the due date for filing the quarterly statement, as specified under the proviso to section 206C(3), in relation to that payment.

BnB Comments:

This change is a practical approach to ensuring that businesses are not unduly penalized for minor delays, while still upholding the importance of timely tax remittance. It enhances compliance by offering a clear deadline and alleviating fears of disproportionate prosecution.

PENALTIES

i. Non-applicability of Section 271AAB of the Act

The Finance Act, 2024 introduced provisions for 'Block Assessment' (Chapter XIV-B) for searches initiated under Section 132 of the Act on or after September 1, 2024. While Section 271AAB of the Act already clarifies that its provisions do not apply to proceedings under Section 158BC, there remains a possibility of ambiguous interpretation regarding its applicability to searches conducted on or after September 1, 2024.

To eliminate any uncertainty, the Finance Bill 2025 proposes to amend Section 271AAB to explicitly state that its provisions will not apply to assesseees in cases where a search has been initiated under Section 132 on or after September 1, 2024.

ii. Time limit to impose penalties rationalized

The current provisions of Section 275 prescribe multiple timelines for imposing penalties, depending on whether the case is in appeal before the ITAT, JCIT(Appeal), or Commissioner (Appeal), making it challenging to track deadlines.

To streamline the process, an amendment is proposed to standardize the penalty imposition. It has been proposed to amend section 275 to provide that any order imposing a penalty under Chapter XXI shall not be passed after the expiry of six months from the end of the quarter in which the connected proceedings are completed or the order of appeal is received by the jurisdictional Principal Commissioner or Commissioner, or the order of revision is passed, or the notice for the imposition of penalty is issued, as the case may be. A consequential amendment is also proposed in section 246A of the Act to update the reference of the amended section 275 of the Act.

These amendments will take effect from the 1st day of April, 2025.

iii. Clarification regarding commencement date and the end date of the period stayed by the Court

Several sections of the Income Tax Act, 1961 (144BA, 153, 153B, 158BE, 158BFA, 263, 264, and Rule 68B of Schedule-II) allow for excluding periods of court-ordered stays or injunctions when calculating deadlines for various tax proceedings. However, the exact start and end dates of these excluded periods were unclear.

To resolve this ambiguity, these sections are proposed to be amended to exclude the following period:

- Start Date: The date the court granted the stay or injunction.
- End Date: The date the jurisdictional Principal Commissioner or Commissioner (or the Approving Panel for Section 144BA cases) receives a certified copy of the order vacating the stay.

BnB Comments:

These amendments reflect a proactive approach to resolving procedural issues in tax administration. The explicit exclusions for court-ordered stays and the rationalization of penalty timelines will reduce litigation and enhance the clarity of tax proceedings. These changes should improve compliance and provide a more predictable framework for both tax authorities and taxpayers.

SEARCH PROCEEDINGS

i. Amendments proposed in provisions of Block assessment for search and requisition cases under Chapter XIV-B

The Finance Act 2024 revamped search assessments by implementing the block assessment system, which covers the six preceding assessment years and the year of search. The Finance Bill 2025 introduces key refinements to improve administration and clarity:

1. Revised Time Limit for Assessments - The deadline for completing block assessments has been extended from 12 months from the end of the month of search to 12 months from the end of the quarter in which the search was conducted.
2. Recognition of Digital Assets in Undisclosed Income - The definition of undisclosed income will now explicitly include Virtual Digital Assets (VDAs), in addition to money, bullion, and valuable articles.
3. Exclusion of Transfer Pricing Adjustments from Block Assessments - Income subject to transfer pricing provisions will not be assessed under the block period regime but will continue to be taxed under the general provisions of the IT Act.

These amendments are designed to streamline tax proceedings and provide greater certainty in search assessments.

The changes will be effective from February 1, 2025.

ii. Increase in the timeline of search assessment-related provisions

The Finance Act 2021 revamped the reassessment provisions in response to multiple judicial rulings that nullified reassessment proceedings on jurisdictional grounds. Subsequent Finance Acts introduced minor adjustments to streamline operations and address practical challenges.

Continuing this effort, the Finance Bill proposes to extend the time limit for assessing officers to retain seized books of accounts.

The current limit of 30 days from the end of the month in which the assessment order was passed is proposed to be extended to 30 days from the end of the quarter in which the assessment is completed. This extension is intended to provide assessing officers with additional time to finalize assessments for related group entities.

The proposed amendments will take effect from April 1, 2025.

iii. Extension of Timeframe for Filing Updated Returns

Section 139(8A) of the Income Tax Act, introduced via the Finance Act 2022, allows taxpayers to file updated returns beyond the original deadline, subject to an additional tax. Under the existing framework, returns filed within 12 months from the end of the assessment year attract an additional tax of 25%, while those filed between 12 to 24 months are subject to 50% additional tax on the aggregate tax and interest.

The Finance Bill 2025 proposes to extend the filing window to 48 months from the end of the relevant assessment year, with revised additional tax rates:

- 60% of tax and interest for returns filed after 24 months but within 36 months.
- 70% of tax and interest for returns filed after 36 months but within 48 months.

This amendment is aimed at promoting voluntary compliance and will take effect from April 1, 2025.

iv. Extending the processing period of application seeking immunity from penalty and prosecution

Section 270AA of the IT Act prescribes the procedure for granting immunity from penalty or prosecution, subject to the timely payment of taxes and non-filing of an appeal. Currently, the assessing officer is required to decide on an immunity application within one month from the end of the month in which the application is received.

To provide additional time for both taxpayers and the tax department, the Finance Bill proposes to extend this timeline to three months.

This amendment will take effect from April 1, 2025.

TRANSFER PRICING

i. Amendment to Section 92CA of the IT Act - Introduction of scheme for determination of ALP of international transactions for a block of 3 years

Section 92CA of the Act [BnB1] lays down the procedure governing reference of an international transaction or a specified domestic transaction to the Transfer Pricing Officer ('TPO'), for computation of the arm's length price ('ALP').

To ease the compliance burden on taxpayers and enhance efficiency for tax authorities, the transfer pricing (TP) audit framework will be simplified by introducing multi-year ALP determination. Under this reform, taxpayers can choose a mechanism where the ALP established for a given year will remain applicable for the next two consecutive years. This amendment would be applicable for financial years commencing FY 2025-26 (AY 2026-27).

The proposed amendment provides an alternative approach where:

- Taxpayers may file a request with the TPO to elect for multi-year TP assessment. This option provides flexibility and reduces the frequency of annual compliance obligations.
- The TPO is required to validate the taxpayer's request within a month of submission, subject to certain conditions which are yet to be notified. This ensures timely processing and certainty for taxpayers.
- Once validated, the ALP determined for the base year will automatically apply to the subsequent two years, provided the transactions remain similar in nature.
- The AO must recompute the taxpayer's income by amending the Assessment Order based on the TP adjustments made by the TPO. Directions from the Dispute Resolution Panel (DRP), if applicable, will also be factored into the computation.

This mechanism benefits taxpayers, especially in cases where similar transactions recur annually. Additionally, it facilitates faster dispute resolution by allowing the Tribunal to consider multiple years simultaneously.

While the scheme offers clear efficiency benefits, it also introduces critical risks for taxpayers:

- An unfavorable TP adjustment in the primary year could trigger a cascading impact, escalating tax liabilities in subsequent years. This may lead to significant cash outflows and prolonged legal disputes.
- The legislation lacks clear guidance on what may be defined as a "similar transaction," raising concerns over database inconsistencies, evolving financial metrics, and unique transaction variations.
- Once a taxpayer opts in, the process for withdrawal remains uncertain. If economic conditions shift or comparability factors change, taxpayers may find themselves bound to an unfavorable assessment with limited recourse.
- While TP assessments follow a block-based approach, corporate tax assessments operate independently. This misalignment can lead to procedural discrepancies and increased compliance burdens.

The effectiveness of the block assessment scheme will largely depend on the forthcoming Guidance from the CBDT. Until further clarity is provided, taxpayers should proceed with caution, weighing the potential compliance benefits against the risk of escalating adjustments.

ii. Expanding the scope of Safe Harbour Rules

Safe Harbour Rules (SHR) were introduced in 2013 to reduce the increasing number of transfer pricing audits and prolonged litigation as a dispute resolution mechanism. They were initially applicable to certain businesses and international transactions only. Subsequently, these rules were also extended to certain specified domestic transactions with the same purpose of reducing the prolonged litigation.

Currently, the SHR covers the following international transactions:

- Provision of IT / ITeS / KPO services;
- Intra-group loans to wholly owned subsidiaries and corporate guarantees;
- Contract R&D services pertaining to software development;
- Contract R&D relating to generic pharmaceutical drugs; and
- Availing of low-value intra-group services among others.

With a view to reduce litigation and provide certainty in international taxation, the FM in her speech announced that the scope of SHR is proposed to be expanded, the details of which are yet to be announced.

iii. Removing date restrictions on framing the schemes in certain cases

The enabling provision for notifying faceless schemes under sections 92CA, 144C, 253 of the Act was extended vide the Finance Act, 2024 to March 31, 2025.

In this regard, it is proposed that the end date prescribed for notifying the faceless schemes under the aforementioned sections of the Act may be omitted so as to provide that Central Government may issue directions beyond the cut-off date of 31 March 2025, if required.

These amendments will take effect from 1 April 2025.

OTHER KEY AMENDMENTS

i. Introduction of Presumptive Taxation for Non-Resident Service Providers in Electronics Manufacturing

To position India as a global hub for Electronics System Design and Manufacturing (ESDM), the Government has approved a program to develop a semiconductor and display manufacturing ecosystem, with schemes notified by the Ministry of Electronics and Information Technology.

To ensure tax certainty and promote participation in this sector, the Indian Government has proposed to introduce a presumptive taxation regime for non-resident entities providing technology or services to a resident company establishing or operating an electronics manufacturing facility. Accordingly, the Finance Bill 2025 has introduced a new provision in the form of section 44BD. Salient features of the said provision are as follows:

- 25% of the total receipts from services or technology will be deemed as profits and gains of the non-resident entity.
- This will result in an effective tax rate of less than 10% on gross receipts.

BnB Comments:

This presumptive taxation framework is a step in the right direction to make India a favorable destination for global electronics manufacturers and service providers. The effective tax rate under 10% enhances the competitiveness of India's manufacturing sector while simplifying compliance for non-resident entities. This measure should encourage more foreign participation and investment in India's growing semiconductor and electronics ecosystem.

ii. Clarification on Tax Treatment of Securities Held by Investment Funds

Section 2(14) of the Income-tax Act defines "capital asset" as property held by an assessee, whether or not connected with their business or profession, excluding stock-in-trade and personal assets. Securities held by a Foreign Institutional Investor (FII), which have been acquired in accordance with the regulations under the Securities and Exchange Board of India Act, 1992, are also considered capital assets.

Vis-a-vis investment funds, there persisted an issue regarding categorisation of income earned by investments funds on sale of securities. As per the current drafting of the law, such income could be classified as capital gains or as business income for investment funds covered under Section 115UB of the Act.

To address this uncertainty, it is proposed to amend the Act to explicitly state that any security held by investment funds under Section 115UB, which have invested in line with the SEBI regulations, shall be treated as capital assets. Consequently, any income from the transfer of such securities will be classified as capital gains.

The proposed amendments will be effective from April 1, 2026, and will apply for the assessment year 2026-27 and subsequent years.

BnB Comments:

The proposed amendment offers a pragmatic solution by clearly classifying securities held by investment funds as capital assets. This move reduces ambiguity and fosters a more predictable tax environment, enhancing confidence in India's investment fund market. It will likely encourage further investments, particularly from foreign institutional investors (FIIs), as the tax treatment becomes more transparent and aligned with international norms.

iii. Proposed Amendment to Taxation of Long-Term Capital Gains for Specified Funds and Foreign Institutional Investors

Under the current provisions of Section 115AD of the Income-tax Act, the total income of a specified fund or Foreign Institutional Investor (FII) includes:

- Income received from securities (excluding units under Section 115AB).
- Income from short-term or long-term capital gains on the transfer of such securities.

The tax on long-term capital gains included in the total income is currently levied at a rate of 10%.

With the Finance (No. 2) Act, 2024, the tax rate on long-term capital gains was revised to 12.5% for all taxpayers, effective from July 23, 2024. However, while the tax rate for gains under Section 112A was harmonized for residents and non-residents, the rate for long-term capital gains not covered by Section 112A remained at 10%.

To align this, it is proposed to amend Section 115AD to increase the tax rate on long-term capital gains from the transfer of securities (excluding units under Section 115AB) to 12.5%, matching the revised rates.

This amendment will come into effect from April 1, 2026, and will apply to the assessment year 2026-27 and subsequent years.

BnB Comments:

This change is a logical step towards harmonizing the tax treatment for long-term capital gains across all categories of taxpayers. By aligning the tax rate for specified funds and FIIs with the broader reforms, the amendment not only reduces complexity but also enhances the attractiveness of the Indian market for foreign investors. The uniformity in tax rates will likely improve compliance and foster a more consistent investment climate.

iii. Extension of sunset dates and benefits for start-ups and SWFs

Section 80-IAC of the IT Act provides for deduction of 100% of profits and gains derived from an eligible business by an eligible start-up for a period of three consecutive years out of ten years, beginning from the date of incorporation, provided it meets the specified conditions. The conditions, inter-alia, included that the start-up should have been incorporated after April 1, 2016 but before April 1, 2025.

Similarly, the Indian Government has offered incentives to sovereign wealth funds and pension funds [section 10(23FE)] vis-a-vis dividend, interest and long-term capital gains arising from the investments made in specified infrastructure businesses, provided the investment is made till March 31, 2025. This move had significantly benefitted India as there was a large influx of investments into India by these funds. The latest Finance Bill proposes to extend the sunset date for investments made by these funds to March 31, 2030.

Further, the amendment to section 50AA by the Finance Act, 2024 re-classified the gains from unlisted debt securities as short-term capital gains, irrespective of their holding period. Therefore, even for sovereign wealth funds and pension funds, long term capital gains from unlisted debt securities were no longer exempt as these gains were categorized as short-term capital gains. The Finance Bill 2025 proposes to amend Section 10(23FE) to provide that long-term capital gains, irrespective of whether they are deemed as short-term capital gains under section 50AA, will be exempt in the hands of sovereign wealth funds and pension funds. This will further incentivize sovereign wealth funds and pension funds to continue investing in India, including through unlisted debt securities.

The proposed amendment shall be effective from April 1, 2025.

iv. Significant change in provision for carry forward of accumulated losses in case of merger or business restructuring

Sections 72A and 72AA of the Income Tax Act allow the carry forward and set-off of accumulated losses and unabsorbed depreciation in cases of amalgamation or business reorganization. Under these provisions, the accumulated loss of the predecessor entity is treated as the loss of the successor entity in the year of amalgamation or reorganization. However, Section 72 limits the carry forward of business losses (excluding speculation losses) to eight assessment years from the year in which the loss was originally computed.

To maintain parity with Section 72 and prevent the indefinite rollover of losses through multiple amalgamations, the Finance Bill 2025 proposes to amend Sections 72A and 72AA. The amendment restricts the carry forward of accumulated losses to eight assessment years from the original computation year of the predecessor entity, preventing excessive tax benefits from successive mergers.

This amendment applies to amalgamations or business reorganizations occurring on or after April 1, 2025, and will be effective from April 1, 2026.

v. Streamlining of Significant Economic Presence Framework

Section 9(1)(i) of the Income Tax Act deems a non-resident's significant economic presence as a business connection in India. Explanation 2A defines this presence to include transactions involving goods between a non-resident and an Indian entity.

This provision was interpreted in a way that denied the general exclusion for transactions related to the purchase of goods for export. To address this, the Finance Bill 2025 proposes an amendment to Explanation 2A, explicitly stating that transactions limited to purchasing goods in India for export purposes will not create a significant economic presence.

The amendment is set to be effective from FY 2025-26.

vi. Rationalization of taxation of Business Trust

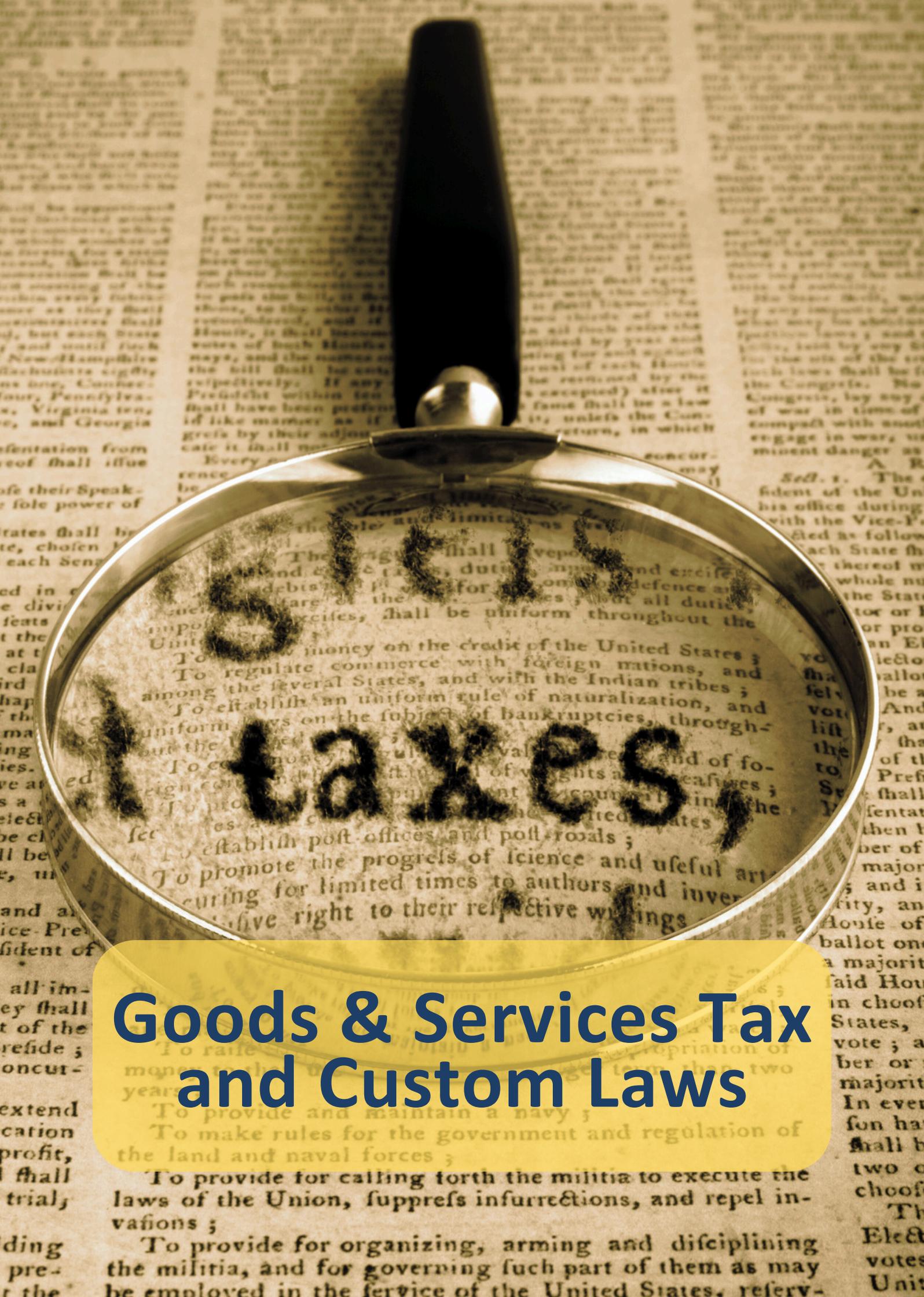
Under the Income Tax Act, business trusts (InvITs and REITs) are granted pass-through status for interest, dividend, and rental income received from an SPV, meaning such income is tax-free at the trust level and taxable in the hands of unit holders, unless specifically exempted.

However, other income, including capital gains, is taxable at the maximum marginal rate, subject to section 111A and 112A. While section 111A provides for concessional tax rates on short-term capital gains, an omission in the current provisions failed to explicitly include section 112A, which prescribes special tax rates for long-term capital gains on equity shares, equity-oriented funds, and business trust units.

To address this, the Finance Bill 2025 proposes an amendment clarifying that long-term capital gains of business trusts, covered under section 112A, will be taxed at the special rates prescribed therein rather than at the maximum marginal rate.

This amendment takes effect from FY 2025-26.





Goods & Services Tax and Custom Laws

To provide for calling forth the militia to execute the laws of the Union, suppress insurrections, and repel invasions ;

To provide for organizing, arming and disciplining the militia, and for governing such part of them as may be employed in the service of the United States, reserv-

Amendment in the definition of 'Input Service Distributor' and Section 20

The proposed amendment in the definition of ISD seeks to provide for distribution of input tax credit ('ITC') by ISD in respect of inter-state supplies, on which tax is discharged on reverse charge basis w.e.f 01/04/2025.

The same is ensured by inserting the reference of Section 5(3) and Section 5(4) of the Integrated Goods and Services Tax Act, 2017 ('IGST Act').

BnB Comments

This amendment is being made to subsequent to supreme judgement in the case of Safari Retreat to block the input credit of buildings and other infrastructure related to buildings used for furtherance of business.

Supply of goods warehoused in a Special Economic Zone ('SEZ') or in a Free Trade Warehousing Zone ('FTWZ') to any person before clearance for exports or to the Domestic Tariff Area ('DTA')

[Amendment in Schedule III of the CGST Act]

Clause 128 of the Finance Bill, 2025 has proposed to insert clause (aa) in Para 8 of Schedule III of the CGST Act with retrospective effect to treat the transactions of supply of goods warehoused in a SEZ or FTWZ to any person, before clearance as neither supply of goods nor supply of services.

However, the tax already paid on such transactions will not be refunded.

BnB Comments

The proposed amendment would bring the transactions relating to supply of goods warehoused in SEZ/FTWZ at par with the existing provision in GST for transactions in customs bonded warehouse.

Restriction on reduction of output tax liability by the supplier on account of issuance of credit notes

A proposed amendment is being made that reduction in output liability will not be permitted if the ITC attributable to such credit note has not been reversed by the supplier in case of a registered person.

BnB Comments

This amendment is being made to stop the leakage of revenue.

Filing of GSTR-3B is to be restricted until GSTR-2B is finalised.

Introduction of Track and Trace Mechanism from a date to be notified.

Proposed amendment is being made requiring Unique Identification Marking on specified goods /class of persons.

Penalty of 10% of tax of INR 2 lakhs whichever is higher for failure to comply.

Requirement of 20% pre-deposit now is being made applicable to appeals against orders levying only the Penalty.

This new proposed amendment is being made in section 18

This proposed amendment will allow the importer and exporter to pay the duty which is short paid/ not paid may be voluntarily paid along with interest. But this revision is not allowed to show notice is already issued or the matter is under audit or investigation.

Relaxation in compliance for the import of goods

Rules 6 and 7 are being amended to increase the time limit for fulfilling end use from the current six months to one year.

Further, the importers will now have to file only a quarterly statement instead of a monthly statement.

Rationalization of Tariff Structure

Basic custom duty has been reduced for certain goods

- Frozen Fish Paste (Surimi) (HS Code 0304 99 00) – BCD reduced from 30% to 5%.
- Fish Hydrolysate (HS Code 2301 20) – BCD reduced from 15% to 5%.
- Glycerol (HS Code 1520 00 00) – BCD reduced from 30% to 20%.
- Marble & Travertine (HS Code 2515, 2516) – BCD reduced from 40% to 20%.
- Liquefied Propane & Butane (HS Code 2711 12 00, 2711 13 00) – BCD reduced from 15% to 2.5%.
- Phosphoric Acid (HS Code 2809 20 10) – BCD reduced from 20% to 7.5%.
- Boric Acid (HS Code 2810 00 20) – BCD reduced from 27.5% to 7.5%.
- Jewellery & Gold/Silver Articles (HS Code 7113, 7114) – BCD reduced from 25% to 20%.
- Footwear (HS Code 6401-6405) – BCD reduced from 35% to 20%.
- Electric Vehicles & Lithium-Ion Battery Equipment – Full duty exemption on capital goods for EV battery production.
- Ethanol for Industrial Use – Full customs duty exemption.
- Railway Equipment (Chapter 86) – Added to customs duty exemption list.

Higher Import Duties for Specific Goods

- Interactive Flat Panel Displays (HS Code 8528 59 00) – BCD increased from 10% to 20%.
- Luxury Vehicles & Motorcycles (HS Code 8702, 8703, 8704, 8711) – BCD increased up to 70%.
- Electronic Toy Parts (HS Code 9503 00 91) – BCD increased to 20%.
- Smart Electricity Meters (HS Code 9028 30 10) – BCD increased to 20%.
- Personal Imports (Baggage) (HS Code 9803, 9804) – BCD increased to 70%.

Extension of specific conditional BCD exemptions (Notification 50/2017-Customs dated 30th June 2017 is being extended beyond 31st March 2025.

Goods imported now will not attract not more than one cess or surcharge.

Social Welfare Surcharge (SWS) proposed to be exempted on 82 Tariff line items.



Other Industries

Revised Classification for MSMEs

To facilitate growth, the investment and turnover limits for the classification of all MSMEs are to be enhanced to 2.5 and 2 times respectively, as follows:

Category	Investment Limit (Rs. Crore)	Turnover Limit (Rs. Crore)
Micro Enterprises	Increased from 1 to 2.5	Increased from 5 to 10
Small Enterprises	Increased from 10 to 25	Increased from 50 to 100
Medium Enterprises	Increased from 50 to 125	Increased from 250 to 500

Credit Cards for Micro Enterprises

A new initiative proposes issuing customized credit cards with a Rs.5 lakh limit for micro-enterprises registered on the Udyam Portal. In the first year, Rs.10 lakh such cards will be distributed to support business financing needs.

Extended Tax Benefits for Start-ups

Section 80-IAC of the Act currently allows eligible start-ups to claim a 100% deduction on profits and gains if they are incorporated between April 1, 2016, and April 1, 2025. The proposed amendment extends this benefit for an additional five years, making it available to start-ups incorporated until April 1, 2030.

Loan Scheme for First-Time Entrepreneurs

For 5 lakh first-time entrepreneurs, including women, Scheduled Castes and Scheduled Tribes, a new scheme, to be launched, to provide term loans up to Rs 2 crore during the next 5 years.

Enhanced Credit Guarantee for MSMEs & Start-ups

To improve access to financial support, the credit guarantee coverage has been significantly expanded:

Category	Current Guarantee Cover (Rs. Cr)	Current Guarantee Cover (Rs. Cr)
MSEs	5	10
Startups	10	20
Exporter MSMEs	For Term Loans Upto 20 Crore	

AGRICULTURE

Prime Minister Dhan-Dhaanya Krishi Yojana

A new scheme is aimed at enhancing agricultural productivity and farmer welfare. The programme will be launched in partnership with the states, covering 100 districts with low productivity, moderate crop intensity and below-average credit parameters, to benefit 1.7 crore farmers.

Enhanced Credit through Kisan Credit Card (KCC)

The government is enhancing the Kisan Credit Card (KCC) scheme by increasing the loan limit under the Modified Interest Subvention Scheme from **Rs. 3 lakhs to Rs. 5 lakhs for loans** obtained through KCC, benefiting millions of farmers, fishermen, and dairy farmers.

Self-Reliance in Pulses

A six-year mission focusing on increasing the production of pulses like Tur, Urad, and Masoor to reduce import dependence is proposed by the Government. NAFED and NCCF to procure these pulses from farmers during the next 4 years.

Makhana Board in Bihar

The Government has announced establishment of a dedicated Board to improve the production, processing, and marketing of Makhana while supporting farmers through Farmer Producer Organizations (FPOs). Additionally, the board will provide training and ensure farmers gain access to relevant government schemes.

National Mission on High-Yielding Seeds

A National Mission on High Yielding Seeds to be launched aiming at strengthening the research ecosystem, targeted development and propagation of seeds with high yield, and commercial availability of more than 100 seed varieties.

Gene Bank

To safeguard genetic resources for future food and nutritional security, the government will establish a second Gene Bank, which will house 10 lakh germplasm lines.

Mission for Cotton Productivity

A special initiative, the '**Mission for Cotton Productivity**', was also introduced. This 5-year mission aims to significantly increase cotton productivity and sustainability, with a focus on promoting extra-long-staple cotton varieties. The mission will benefit millions of cotton farmers and help revitalize India's traditional textile industry.

New Urea Plant in Assam

To strengthen the country's urea production capacity, the Government has announced the establishment of a **new urea plant in Namrup, Assam**, with an annual capacity of 12.7 lakh metric tons. This move aims to further reduce dependency on imports and boost Atmanirbharta in urea production.

Comprehensive Programme for Vegetables & Fruits

A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for farmers is to be launched in partnership with states.

SCIENCE AND INNOVATION

National Geospatial Mission

The government is modernizing land records, urban planning, and infrastructure design through advanced geospatial technologies. This initiative will use satellite imagery, drones, and AI-driven mapping to improve land use planning, urban development, disaster management, and resource allocation.

Deep Tech Fund of ₹10,000 Crore

A new Deep Tech Fund of Funds has been introduced to support startups working in cutting-edge fields such as Artificial Intelligence (AI), Biotechnology, Quantum Computing, and Space Technology. The fund aims to provide capital for startups in these sectors, enabling India to compete globally in high-tech industries. This will also encourage private sector investments and enhance India's R&D ecosystem.

PM Research Fellowship

The Prime Minister's Research Fellowship (PMRF) scheme has been expanded to offer 10,000 fellowships for students at IITs and IISc. These fellowships will provide enhanced financial support to researchers working on innovative technological advancements. The initiative is aimed at attracting top talent into scientific research, fostering indigenous innovation, and strengthening India's position in global research rankings.

Gyan Bharatam Mission

A large-scale initiative focused on the survey, digitization, and conservation of over 1 crore ancient manuscripts. This project aims to preserve India's historical texts and make them digitally accessible for researchers, historians, and the public. The mission supports cultural heritage conservation, language research, and historical documentation.

EXPORT PROMOTION

Export Promotion Mission

The Ministries of Commerce, MSME, and Finance will collaborate to boost India's export growth. The mission will focus on sector-specific strategies, trade policy reforms, and financial incentives to enhance exports of high-value goods and services. The goal is to strengthen India's global trade footprint and reduce trade imbalances by supporting businesses in manufacturing, services, and agriculture.

Bharat Trade Net – Digital Public Infrastructure for Trade

A new Digital Trade Network will be developed to streamline trade documentation, financing, and logistics. This system will use blockchain, AI, and automation to enhance transparency and reduce paperwork for exporters and importers. It aims to simplify customs clearances, improve supply chain efficiency, and lower transaction costs for businesses, making India a more attractive trade hub.

Warehousing for Air Cargo

A dedicated warehousing program will be launched for high-value perishable exports, including horticulture products, seafood, and dairy. By developing state-of-the-art cold storage facilities at major airports, the government aims to reduce wastage, improve export quality, and boost agricultural and fisheries exports. This initiative will also support farmers and MSMEs engaged in perishable goods exports.

Integration with Global Supply Chains

To strengthen India's role in Industry 4.0 and advanced manufacturing, the government is incentivizing electronics production, robotics, and AI-based industries. Special focus will be placed on semiconductors, automotive components, and precision engineering to make India a key player in global supply chains. Additionally, ease of doing business reforms and trade agreements will help Indian industries align with international production networks.

National Framework for Global Capability Centres (GCCs)

A National Framework will be introduced to promote Global Capability Centres (GCCs) in Tier-2 cities. These IT and R&D hubs—operated by multinational companies—will drive outsourced software development, financial services, AI research, and product engineering. By decentralizing tech and R&D investments beyond major metros, the initiative will create high-skilled jobs and boost local economies.

MARITIME AND SHIPPING INDUSTRY

Maritime Development Fund (₹25,000 Crore)

The government has established a ₹25,000 crore Maritime Development Fund to strengthen India's shipbuilding industry and upgrade port infrastructure with a 49% contribution by the government and a balance from Ports and Private Sectors. This initiative aims to enhance domestic ship construction capacity, boost coastal trade, and modernize key ports to improve efficiency and competitiveness in global maritime trade.

Revamp of Shipbuilding Financial Assistance Policy

The policy has been restructured to provide credit notes and financial incentives for shipbreaking and shipbuilding projects. This includes funding support for Indian shipyards, promoting sustainable ship recycling, and reducing dependency on foreign-built vessels, ensuring long-term growth in India's maritime sector.

NUCLEAR ENERGY

Capacity Expansion

To achieve the ambitious target of 100 GW of nuclear power by 2047, a significant increase from the current 8 GW capacity, the government has allocated ₹20,000 crore for the development of Small Modular Reactors (SMRs). These next-generation nuclear reactors are safer, cost-effective, and scalable, making them well-suited to India's growing energy demands. SMRs will play a crucial role in reducing carbon emissions, supporting clean energy goals, and providing reliable electricity, particularly in remote and underserved areas.

Legislative Amendments

To facilitate private sector participation and attract foreign investments, the government proposes amendments to the Atomic Energy Act of 1962 and the Civil Liability for Nuclear Damage Act of 2010. These changes are intended to address existing barriers and encourage collaboration with international partners.

INFRASTRUCTURE & REAL ESTATE

The Budget 2025-26 emphasizes infrastructure and real estate as key drivers of economic growth, with major investments and reforms.

Public-Private Partnership in Infrastructure

The government is strengthening Public-Private Partnerships (PPP) by introducing a 3-year pipeline of infrastructure projects. States will also be encouraged to do so and can seek support from the IIPDF (India Infrastructure Project Development Fund) scheme to prepare PPP proposals.

Support to States for Infrastructure

A cornerstone of the budget is the introduction of 50-year interest-free loans totaling approximately ₹1.5 lakh crore for state governments. This long-term financing mechanism is designed to reduce the burden of short-term debt and enable states to undertake major infrastructure projects with greater fiscal certainty.

Asset Monetization Plan 2025-30

The Government has unveiled an asset monetization plan expected to channel around ₹10 lakh crore into new projects over the 2025–30 period, thereby unlocking the latent value of government assets to fuel further development.

Urban Challenge Fund

Urban sector reforms, including the ₹1 lakh crore Urban Challenge Fund, will enhance governance, land planning, and sanitation, further driving urban development. This fund will finance up to 25 percent of the cost of bankable projects with a stipulation that at least 50 percent of the cost is funded from bonds, bank loans, and PPPs. An allocation of Rs. 10,000 crore is proposed for 2025-26.

Jal Jeevan Mission

Since 2019, 15 crore households, representing 80% of India's rural population, have been given access to clean tap water. To achieve full coverage, the Mission will be extended until 2028, with an enhanced financial outlay.

Maritime and Shipping Sector Initiatives

In a significant move for the maritime sector, the budget introduces a suite of measures designed to boost domestic shipbuilding and promote inland water transport.

- **Shipbuilding Clusters and Financial Reforms:** The government will facilitate clusters that expand the range and capacity of domestically built ships and revamp the Shipbuilding Financial Assistance Policy to address cost disadvantages. This includes measures such as extending exemptions on the Basic Customs Duty (BCD) for raw materials and components used in ship manufacture for an additional ten years.
- **Expansion of Tonnage Tax Benefits:** The existing tonnage tax scheme, which previously applied only to sea-going vessels, will now be extended to inland vessels registered under the Indian Vessels Act, 2021. This change is aimed at promoting the use of inland waterways as an efficient alternative for cargo transport.

UDAN- Regional Connectivity Scheme

UDAN has provided 1.5 crore middle-class individuals with the opportunity for faster travel. The scheme has successfully connected 88 airports and launched 619 routes. Building on this success, a revised UDAN scheme will be introduced to improve regional connectivity to 120 new destinations, aiming to serve 4 crore passengers over the next 10 years. Additionally, the scheme will support the development of helipads and smaller airports in hilly, aspirational, and North Eastern regions.

Greenfield Airport in Bihar

Greenfield airports will be facilitated in Bihar to meet the future needs of the State. These will be in addition to the expansion of the capacity of Patna airport and a brownfield airport at Bihta.

SWAMIH Fund 2 (Special Window for Affordable and Mid-Income Housing)

In real estate, the SWAMIH Fund 2, worth ₹15,000 crore, will expedite the completion of 1 lakh stalled housing units, providing relief to middle-class homebuyers. The budget also prioritizes tourism infrastructure, with 50 key destinations being developed and hotels in these locations receiving infrastructure status.

HEALTHCARE & PHARMA SECTOR

The Budget 2025-26 emphasizes strengthening the healthcare and pharmaceutical sectors through key investments and reforms.

Expansion of medical education

The government aims to enhance medical education, proposing 10,000 additional UG and PG seats in medical colleges and hospitals, with a long-term goal of adding 75,000 seats over the next five years.

Day Care Cancer Centres in all District Hospitals

To combat cancer, Day Care Cancer Centres will be established in all district hospitals within three years, with 200 centres set up in 2025-26.

Relief on import of Drugs/Medicines

In pharmaceuticals, customs duty exemptions and reductions aim to make life-saving drugs more affordable. The list of duty-free medicines has been expanded by 36 essential drugs, including those for cancer and rare diseases, while bulk drugs used in their production also benefit from lower tariffs. Additionally, 37 more medicines under Patient Assistance Programs will be exempt from duties, ensuring that essential drugs remain accessible to those in need.

5% concessional BCD on six new lifesaving drugs and their bulk drugs used in their manufacture with effect from 2 February 2025.

Medical Tourism and Health in India

The government is also focused on medical tourism under the "Heal in India" initiative, working with private sector players to promote India's healthcare services globally while easing visa norms for medical travelers.

Broadband Connectivity to Government Secondary Schools and PHCs

Broadband connectivity will be extended to all Primary Health Centres (PHCs) in rural areas under the BharatNet project, ensuring better digital healthcare access.

FDI in the Insurance Sector

FDI cap in insurance raised to 100% under certain conditions, aiding health and life insurance, and benefiting the healthcare industry.

Social Security Scheme for the Welfare of Online Platform Workers

Gig workers on online platforms bring significant dynamism to the modern services economy. Acknowledging their contribution, the Government will facilitate the issuance of identity cards and registration on the e-Shram portal for them. They will also be covered under the PM Jan Arogya Yojana for healthcare. This initiative is expected to benefit approximately 1 crore gig workers.

Saksham Anganwadi and Poshan 2.0

The Saksham Anganwadi and Poshan 2.0 programme offers nutritional support to over 8 crore children, 1 crore pregnant women, lactating mothers, and around 20 lakh adolescent girls in aspirational districts and the North-East region. The cost norms for providing this nutritional support will be suitably increased.

TECHNOLOGY & IT

The Union Budget 2025 of India introduces several significant initiatives aimed at bolstering the technology and IT sectors, reflecting the government's commitment to fostering innovation, enhancing manufacturing capabilities, and promoting skill development.

Setting up of Centre of Excellence ("CoE") in AI for Education

A notable highlight is the establishment of a CoE for Artificial Intelligence (AI) in education, with an allocation of ₹500 crore. This initiative underscores the government's recognition of AI's transformative potential in the educational landscape, aiming to integrate advanced technologies into learning environments to enhance educational outcomes.

Setting up a fund of funds for Startups

To further stimulate the startup ecosystem, a new Fund of Funds for Startups will be established, with a fresh contribution of ₹10,000 crore, supplementing the existing government contribution of the same amount. This initiative aims to power entrepreneurship and drive innovation across various sectors.

Expansion of capacity in technological institutes

The budget also emphasizes the importance of skill development in emerging technologies. Plans include the expansion of infrastructure in Indian Institutes of Technology (IITs) established after 2015, facilitating an additional 6,500 students across five IITs. Furthermore, the government is exploring the creation of a Deep Tech Fund of Funds to support technological advancements, alongside providing 10,000 fellowships for tech research at IITs and the Indian Institute of Science (IISc) under the Prime Minister's Research Fellowship Scheme.

Collectively, these measures in the Union Budget 2025 are poised to significantly impact India's technology and IT sectors, fostering an environment conducive to growth, innovation, and global competitiveness.

MAKE IN INDIA

The Union Budget 2025 of India introduces several initiatives aimed at strengthening the manufacturing sector, reflecting the government's commitment to fostering self-reliance, enhancing domestic production, and promoting sustainable growth.

Introduction of a new scheme of presumptive taxation in cases of non-residents providing services for electronics manufacturing facility

A new Section 44BBD is proposed to be introduced for a presumptive taxation regime for non-residents providing services or technology to resident companies setting up or operating electronics manufacturing facilities under a government-notified scheme. Under this section, 25% of the payments received or payable to non-residents will be considered business profits, leading to an effective tax of less than 10% on gross receipts.

Furthering the Make in India initiative

The budget also proposes the establishment of a National Manufacturing Mission, aiming to bolster the manufacturing sector's contribution to the economy. This mission is expected to drive innovation, enhance productivity, and create employment opportunities, thereby reinforcing the 'Make in India' initiative. The initiative also aims to bolster domestic manufacturing of clean technologies, including solar PV cells, EV batteries, wind turbines, and grid-scale batteries. This mission is expected to reduce India's reliance on imports, create jobs, and enhance the country's position in the global clean technology market and is a crucial step towards establishing India as a leading clean technology manufacturer in the world, realizing the dream of 'Make in India' and 'Atmanirbhar Bharat'.

Focus Product Scheme for the footwear & leather industry

The budget also introduces a Focus Product Scheme for the footwear and leather industry, aiming to create 2.2 million jobs and generate substantial revenue. This initiative underscores the government's strategy to promote specific sectors with high growth potential, thereby stimulating employment and economic development.

Removal of customs duties on waste and scrap of critical minerals

A significant measure is the removal of customs duties on waste and scrap of critical minerals, including antimony, cobalt, tungsten, copper, lithium-ion batteries, lead, zinc, and cobalt powder. This decision is designed to secure the availability of essential materials for domestic manufacturing, thereby reducing dependence on imports and supporting the development of critical industries.

Collectively, these initiatives in the Union Budget 2025 are poised to significantly impact India's manufacturing sector, fostering an environment conducive to growth, innovation, and global competitiveness.

FINANCIAL AND BANKING SECTOR

The Union Budget 2025, presented by our FM introduced several key initiatives aimed at strengthening India's financial and banking sectors:

Foreign Direct Investment (FDI) in Insurance

The government has increased the FDI limit in the insurance sector from 74% to 100%, with the stipulation that companies invest the entire premium collected within India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified.

Support for Micro, Small, and Medium Enterprises (MSMEs)

- The budget has announced an increase in the credit guarantee cover for micro and small enterprises from ₹5 crore to ₹10 crore, leading to an additional credit flow of ₹1.5 lakh crore over the next five years. For startups, the guarantee cover has been raised from ₹10 crore to ₹20 crore, with the guarantee fee moderated to 1% for loans in 27 focus sectors. This move is expected to facilitate easier access to credit for MSMEs and startups, thereby promoting entrepreneurship and innovation.
- Small Industries Development Bank of India ("SIDBI") will open new branches in major MSME clusters over the next three years, expanding service coverage and providing direct credit. The opening of 24 new branches this year will increase the service coverage to 168 out of 242 major clusters.

Mudra Loans

The limit for Mudra loans will be enhanced to ₹20 lakh from the current ₹10 lakh for entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.

Enhanced KCC Loan Limits

The increase in the Kisan Credit Card (KCC) loan limit from ₹3 lakh to ₹5 lakh under the Modified Interest. The Subvention Scheme will boost credit disbursement, expand rural banking, and enhance financial inclusion. However, it may increase banks' exposure to repayment risks and operational costs, while pressure on profitability from subsidized interest rates could be mitigated by government compensation.

Infrastructure Financing

The National Bank for Financing Infrastructure and Development (NaBFID) will receive support to bolster infrastructure financing, facilitating large-scale development projects across the country.

Regulatory Reforms

A forum for regulatory coordination and the development of pension products will be established to foster innovation and ensure a cohesive regulatory environment in the financial sector.

These measures reflect the government's commitment to fostering a robust and inclusive financial ecosystem, promoting investment, and ensuring sustainable economic growth.

RENEWABLE ENERGY AND SUSTAINABILITY

The Union Budget for 2025-26, unveiled by Finance Minister Nirmala Sitharaman on February 1, 2025, outlines transformative measures for India's green energy and renewable sector. This report explores the key budgetary highlights, examining their potential to propel India towards its clean energy objectives while fostering economic growth.

Current State of Green Energy in India

India has reached a significant milestone in its renewable energy journey, with the nation's total renewable energy capacity surpassing 200 GW. This achievement aligns with the country's ambitious target of achieving 500 GW from non-fossil sources by 2030. The remarkable growth is primarily driven by the rise of solar and wind energy. By October 2024, solar power capacity reached 92.12 GW, while wind power stood at 47.72 GW.

Incentives for Electricity Distribution Reforms

The budget emphasizes electricity distribution reforms and the enhancement of intra-state transmission capacity. States implementing these reforms are allowed additional borrowing of 0.5% of their Gross State Domestic Product (GSDP). Moreover, the government has committed to improving intra-state power transmission networks to integrate renewable energy sources seamlessly. These measures aim to improve the financial health and operational efficiency of electricity distribution companies (DISCOMs).

Tariff Reductions to Promote Clean Energy

The budget introduces significant tariff reductions to make renewable energy components more affordable. The import duty on solar cells has been reduced from 25% to 20%, while solar modules now have a reduced duty of 20%, down from 40%. Additionally, the tariff on smart electricity meters has been lowered to 20%, facilitating the adoption of efficient power management systems. These changes are expected to lower costs and accelerate the transition to clean energy.

Government Policies and Initiatives

The government has reinforced its commitment to renewable energy through several policies:

- Renewable Energy Purchase Obligations (RPOs): Mandating electricity distribution companies to source a specific percentage of their electricity from renewable sources.
- Green Energy Corridor: Strengthening grid infrastructure to handle increased renewable energy generation.

These initiatives, supported by the budget, aim to accelerate India's clean energy transition and ensure sustainable economic development.

Focus on Technological Innovation

The budget emphasizes research and development in emerging technologies such as green hydrogen and Small Modular Reactors (SMRs). This focus on innovation is expected to drive technological advancements in the renewable energy sector, positioning India as a global leader in clean technology.

Sustainability and Economic Growth

The government has unveiled multiple initiatives to foster sustainability and economic growth. Increased allocations for rooftop solar programs under the "PM Surya Ghar Muft Bijli Yojana" and incentives for domestic manufacturing of renewable energy technologies underscore India's commitment to achieving its green energy goals while boosting local economic activity.

Nuclear Energy Expansion

The government has proposed amendments to the Civil Liability for Nuclear Damage Act of 2010 and the Atomic Energy Act of 1962 to attract foreign and private investments in the nuclear sector. This move aims to facilitate international collaborations and expand nuclear power infrastructure.

Renewable Energy and Clean Technology

The budget underscores the importance of clean energy by allocating increased funding for renewable projects and supporting domestic manufacturing. Incentives are provided to promote the production of electric vehicles and the development of battery energy storage systems (BESS). Notably, India's largest BESS project aims to supply electricity to 12,000 low-income households in Delhi, exemplifying scalable solutions for energy access.



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