



सत्यमेव जयते

**GOVERNMENT OF INDIA**

# **BUDGET 2025-2026**

**SPEECH**  
**OF**  
**NIRMALA SITHARAMAN**  
**MINISTER OF FINANCE**

*February 1, 2025*



## CONTENTS

### PART – A

---

	<b>Page No.</b>
<b>Introduction</b>	<b>1</b>
<b>Budget Theme</b>	<b>1</b>
<b>Agriculture as the 1<sup>st</sup> engine</b>	<b>3</b>
<b>MSMEs as the 2<sup>nd</sup> engine</b>	<b>6</b>
<b>Investment as the 3<sup>rd</sup> engine</b>	<b>8</b>
A. Investing in People	8
B. Investing in the Economy	10
C. Investing in Innovation	14
<b>Exports as the 4<sup>th</sup> engine</b>	<b>15</b>
<b>Reforms as the Fuel</b>	<b>16</b>
<b>Fiscal Policy</b>	<b>18</b>

---

### PART – B

---

<b>Indirect taxes</b>	<b>20</b>
<b>Direct Taxes</b>	<b>23</b>
<b>Annexure to Part-A</b>	<b>29</b>
<b>Annexure to Part-B</b>	<b>31</b>



# **Budget 2025-2026**

## **Speech of Nirmala Sitharaman *Minister of Finance***

**February 1, 2025**

Hon'ble Speaker,

I present the Budget for 2025-26.

### **Introduction**

1. This Budget continues our Government's efforts to:
  - a) accelerate growth,
  - b) secure inclusive development,
  - c) invigorate private sector investments,
  - d) uplift household sentiments, and
  - e) enhance spending power of India's rising middle class.
2. Together, we embark on a journey to unlock our nation's tremendous potential for greater prosperity and global positioning under the leadership of Hon'ble Prime Minister Shri Narendra Modi.
3. As we complete the first quarter of the 21<sup>st</sup> century, continuing geopolitical headwinds suggest lower global economic growth over the medium term. However, our aspiration for a Viksit Bharat inspires us, and the transformative work we have done during our Government's first two terms guides us, to march forward resolutely.

### **Budget Theme**

4. Our economy is the fastest-growing among all major global economies. Our development track record of the past 10 years and structural reforms have drawn global attention. Confidence in India's capability and potential has only

grown in this period. We see the next five years as a unique opportunity to realize 'Sabka Vikas', stimulating balanced growth of all regions.

5. The great Telugu poet and playwright Gurajada Appa Rao had said, '*Desamante Matti Kaadoi, Desamante Manushuloi*'; meaning, 'A country is not just its soil, a country is its people.' In line with this, for us, Viksit Bharat, encompasses:

- a) zero-poverty;
- b) hundred per cent good quality school education;
- c) access to high-quality, affordable, and comprehensive healthcare;
- d) hundred per cent skilled labour with meaningful employment;
- e) seventy per cent women in economic activities; and
- f) farmers making our country the 'food basket of the world'.

6. In this Budget, the proposed development measures span ten broad areas focusing on Garib, Youth, Annadata and Nari.

- 1) Spurring Agricultural Growth and Productivity;
- 2) Building Rural Prosperity and Resilience;
- 3) Taking Everyone Together on an Inclusive Growth path;
- 4) Boosting Manufacturing and Furthering Make in India;
- 5) Supporting MSMEs;
- 6) Enabling Employment-led Development;
- 7) Investing in people, economy and innovation;
- 8) Securing Energy Supplies;
- 9) Promoting Exports; and
- 10) Nurturing Innovation.

7. For this journey of development,

- a) Our four powerful engines are: Agriculture, MSME, Investment, and Exports
- b) The fuel: our Reforms
- c) Our guiding spirit: Inclusivity
- d) And the destination: Viksit Bharat

8. This Budget aims to initiate transformative reforms across six domains. During the next five years, these will augment our growth potential and global competitiveness. The domains are:

- 1) Taxation;
- 2) Power Sector;
- 3) Urban Development;
- 4) Mining;
- 5) Financial Sector; and
- 6) Regulatory Reforms.

#### **Agriculture as the 1<sup>st</sup> Engine**

9. Now I move to specific proposals, beginning with 'Agriculture as the 1<sup>st</sup> Engine'.

#### **Prime Minister Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme**

10. Motivated by the success of the Aspirational Districts Programme, our Government will undertake a 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states. Through the convergence of existing schemes and specialized measures, the programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters. It aims to (1) enhance agricultural productivity, (2) adopt crop diversification and sustainable agriculture practices, (3) augment post-harvest storage at the panchayat and block level, (4) improve irrigation facilities, and (5) facilitate availability of long-term and short-term credit. This programme is likely to help 1.7 crore farmers.

#### **Building Rural Prosperity and Resilience**

11. A comprehensive multi-sectoral 'Rural Prosperity and Resilience' programme will be launched in partnership with states. This will address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy. The goal is to generate ample opportunities in rural areas so that migration is an option, but not a necessity.

12. The programme will focus on rural women, young farmers, rural youth, marginal and small farmers, and landless families. Details are in Annexure A.

**13.** Global and domestic best practices will be incorporated and appropriate technical and financial assistance will be sought from multilateral development banks. In Phase-1, 100 developing agri-districts will be covered.

#### **Aatmanirbharta in Pulses**

**14.** Our Government is implementing the National Mission for Edible Oilseed for achieving atmanirbharta in edible oils. Our farmers have the capability to grow enough for our needs and more.

**15.** Ten years ago, we made concerted efforts and succeeded in achieving near self-sufficiency in pulses. Farmers responded to the need by increasing the cultivated area by 50 per cent and Government arranged for procurement and remunerative prices. Since then, with rising incomes and better affordability, our consumption of pulses has increased significantly.

**16.** Our Government will now launch a 6-year “Mission for Aatmanirbharta in Pulses” with a special focus on Tur, Urad and Masoor. Details are in Annexure B. Central agencies (NAFED and NCCF) will be ready to procure these 3 pulses, as much as offered during the next 4 years from farmers who register with these agencies and enter into agreements.

#### **Comprehensive Programme for Vegetables & Fruits**

**17.** It is encouraging that our people are increasingly becoming aware of their nutritional needs. It is a sign of a society becoming healthier. With rising income levels, the consumption of vegetables, fruits and shree-anna is increasing significantly. A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for farmers will be launched in partnership with states. Appropriate institutional mechanisms for implementation and participation of farmer producer organizations and cooperatives will be set up.

#### **Makhana Board in Bihar**

**18.** For this, there is a special opportunity for the people of Bihar. A Makhana Board will be established in the state to improve production, processing, value addition, and marketing of makhana. The people engaged in these activities will be organized into FPOs. The Board will provide handholding and training support to makhana farmers and will also work to ensure they receive the benefits of all relevant Government schemes.



**National Mission on High Yielding Seeds**

19. A National Mission on High Yielding Seeds will be launched, aimed at (1) strengthening the research ecosystem, (2) targeted development and propagation of seeds with high yield, pest resistance and climate resilience, and (3) commercial availability of more than 100 seed varieties released since July 2024.

**Fisheries**

20. India ranks second-largest globally in fish production and aquaculture. Seafood exports are valued at ₹ 60 thousand crore. To unlock the untapped potential of the marine sector, our Government will bring in an enabling framework for sustainable harnessing of fisheries from Indian Exclusive Economic Zone and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.

**Mission for Cotton Productivity**

21. For the benefit of lakhs of cotton growing farmers, I am pleased to announce a 'Mission for Cotton Productivity'. This 5-year mission will facilitate significant improvements in productivity and sustainability of cotton farming, and promote extra-long staple cotton varieties. The best of science & technology support will be provided to farmers. Aligned with our integrated 5F vision for the textile sector, this will help in increasing incomes of the farmers, and ensure a steady supply of quality cotton for rejuvenating India's traditional textile sector.

**Enhanced Credit through KCC**

22. Kisan Credit Cards (KCC) facilitate short term loans for 7.7 crore farmers, fishermen, and dairy farmers. The loan limit under the Modified Interest Subvention Scheme will be enhanced from ₹ 3 lakh to 5 lakh for loans taken through the KCC.

**Urea Plant in Assam**

23. For Atmanirbharta in urea production, our Government had reopened three dormant urea plants in the Eastern region. To further augment urea supply, a plant with annual capacity of 12.7 lakh metric tons will be set up at Namrup, Assam.

**India Post as a Catalyst for the Rural Economy**

24. India Post with 1.5 lakh rural post offices, complemented by the India Post Payment Bank and a vast network of 2.4 lakh Dak Sevaks, will be repositioned to act as a catalyst for the rural economy. Details are at Annexure C.

**25.** India Post will also be transformed as a large public logistics organization. This will meet the rising needs of Viswakarmas, new entrepreneurs, women, self-help groups, MSMEs, and large business organizations.

**Support to NCDC**

**26.** Our Government will provide support to NCDC for its lending operations for the cooperative sector.

**MSMEs as the 2<sup>nd</sup> engine**

**27.** Now, I move to MSMEs as the 2<sup>nd</sup> engine, which encompasses manufacturing and services with a focus on MSMEs numbering 5.7 crore.

**Revision in classification criteria for MSMEs**

**28.** Currently, over 1 crore registered MSMEs, employing 7.5 crore people, and generating 36 per cent of our manufacturing, have come together to position India as a global manufacturing hub. With their quality products, these MSMEs are responsible for 45 per cent of our exports. To help them achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively. This will give them the confidence to grow and generate employment for our youth. The details are in Annexure D.

**Significant enhancement of credit availability with guarantee cover**

**29.** To improve access to credit, the credit guarantee cover will be enhanced:

- a) For Micro and Small Enterprises, from ₹ 5 crore to 10 crore, leading to additional credit of ₹ 1.5 lakh crore in the next 5 years;
- b) For Startups, from ₹ 10 crore to 20 crore, with the guarantee fee being moderated to 1 per cent for loans in 27 focus sectors important for Atmanirbhar Bharat; and
- c) For well-run exporter MSMEs, for term loans up to ₹ 20 crore.

**Credit Cards for Micro Enterprises**

**30.** We will introduce customized Credit Cards with a ₹ 5 lakh limit for micro enterprises registered on Udyam portal. In the first year, 10 lakh such cards will be issued.

**Fund of Funds for Startups**

31. The Alternate Investment Funds (AIFs) for startups have received commitments of more than ₹ 91,000 crore. These are supported by the Fund of Funds set up with a Government contribution of ₹ 10,000 crore. Now, a new Fund of Funds, with expanded scope and a fresh contribution of another ₹ 10,000 crore will be set up.

**Scheme for First-time Entrepreneurs**

32. A new scheme will be launched for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs. This will provide term loans up to ₹ 2 crore during the next 5 years. The scheme will incorporate lessons from the successful Stand-Up India scheme. Online capacity building for entrepreneurship and managerial skills will also be organized.

**Measures for Labour-Intensive Sectors**

33. To promote employment and entrepreneurship opportunities in labour-intensive sectors, our Government will undertake specific policy and facilitation measures.

**Focus Product Scheme for Footwear & Leather Sectors**

34. To enhance the productivity, quality and competitiveness of India's footwear and leather sector, a focus product scheme will be implemented. The scheme will support design capacity, component manufacturing, and machinery required for production of non-leather quality footwear, besides the support for leather footwear and products. The scheme is expected to facilitate employment for 22 lakh persons, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore.

**Measures for the Toy Sector**

35. Building on the National Action Plan for Toys, we will implement a scheme to make India a global hub for toys. The scheme will focus on development of clusters, skills, and a manufacturing ecosystem that will create high-quality, unique, innovative, and sustainable toys that will represent the 'Made in India' brand.

**Support for Food Processing**

36. In line with our commitment towards 'Purvodaya', we will establish a National Institute of Food Technology, Entrepreneurship and Management in Bihar. The institute will provide a strong fillip to food processing activities in

the entire Eastern region. This will result in (1) enhanced income for the farmers through value addition to their produce, and (2) skilling, entrepreneurship and employment opportunities for the youth.

### **Manufacturing Mission - Furthering “Make in India”**

**37.** Our Government will set up a National Manufacturing Mission covering small, medium and large industries for furthering “Make in India” by providing policy support, execution roadmaps, governance and monitoring framework for central ministries and states. Details are in Annexure E.

### **Clean Tech Manufacturing**

**38.** Given our commitment to climate-friendly development, the Mission will also support Clean Tech manufacturing. This will aim to improve domestic value addition and build our ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment and grid scale batteries.

### **Investment as the 3<sup>rd</sup> engine**

**39.** Now, I move to Investment as the 3<sup>rd</sup> engine, which encompasses investing in people, investing in the economy and investing in innovation.

#### **A. Investing in People**

#### **Saksham Anganwadi and Poshan 2.0**

**40.** The Saksham Anganwadi and Poshan 2.0 programme provides nutritional support to more than 8 crore children, 1 crore pregnant women and lactating mothers all over the country, and about 20 lakh adolescent girls in aspirational districts and the north-east region. The cost norms for the nutritional support will be enhanced appropriately.

#### **Atal Tinkering Labs**

**41.** Fifty thousand Atal Tinkering Labs will be set up in Government schools in next 5 years to cultivate the spirit of curiosity and innovation, and foster a scientific temper among young minds.

#### **Broadband Connectivity to Government Secondary Schools and PHCs**

**42.** Broadband connectivity will be provided to all Government secondary schools and primary health centres in rural areas under the Bharatnet project.

**Bharatiya Bhasha Pustak Scheme**

43. We propose to implement a Bharatiya Bhasha Pustak Scheme to provide digital-form Indian language books for school and higher education. This aims to help students understand their subjects better.

**National Centres of Excellence for Skilling**

44. Building on the initiative announced in the July 2024 Budget, five National Centres of Excellence for skilling will be set up with global expertise and partnerships to equip our youth with the skills required for “Make for India, Make for the World” manufacturing. The partnerships will cover curriculum design, training of trainers, a skills certification framework, and periodic reviews.

**Expansion of Capacity in IITs**

45. Total number of students in 23 IITs has increased 100 per cent from 65,000 to 1.35 lakh in the past 10 years. Additional infrastructure will be created in the 5 IITs started after 2014 to facilitate education for 6,500 more students. Hostel and other infrastructure capacity at IIT, Patna will also be expanded.

**Centre of Excellence in AI for Education**

46. I had announced three Centres of Excellence in Artificial Intelligence for agriculture, health, and sustainable cities in 2023. Now a Centre of Excellence in Artificial Intelligence for education will be set up with a total outlay of ₹ 500 crore.

**Expansion of medical education**

47. Our Government has added almost 1.1 lakh UG and PG medical education seats in ten years, an increase of 130 per cent. In the next year, 10,000 additional seats will be added in medical colleges and hospitals, towards the goal of adding 75,000 seats in the next 5 years.

**Day Care Cancer Centres in all District Hospitals**

48. Our Government will facilitate setting up of Day Care Cancer Centres in all district hospitals in the next 3 years. 200 Centres will be established in 2025-26.

### **Strengthening urban livelihoods**

49. Our Government has been giving priority to assisting urban poor and vulnerable groups. A scheme for socio-economic upliftment of urban workers will be implemented to help them improve their incomes, have sustainable livelihoods and a better quality of life.

#### **PM SVANidhi**

50. PM SVANidhi scheme has benefitted more than 68 lakh street vendors giving them respite from high-interest informal sector loans. Building on this success, the scheme will be revamped with enhanced loans from banks, UPI linked credit cards with ₹ 30,000 limit, and capacity building support.

#### **Social Security Scheme for Welfare of Online Platform Workers**

51. Gig workers of online platforms provide great dynamism to the new-age services economy. Recognising their contribution, our Government will arrange for their identity cards and registration on the e-Shram portal. They will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 crore gig-workers.

### **B. Investing in the Economy**

#### **Public Private Partnership in Infrastructure**

52. Each infrastructure-related ministry will come up with a 3-year pipeline of projects that can be implemented in PPP mode. 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**

53. An outlay of ₹ 1.5 lakh crore is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.

#### **Asset Monetization Plan 2025-30**

54. Building on the success of the first Asset Monetization Plan announced in 2021, the second Plan for 2025-30 will be launched to plough back capital of ₹ 10 lakh crore in new projects. Regulatory and fiscal measures will be fine-tuned to support the Plan.

#### **Jal Jeevan Mission**

55. Since 2019, 15 crore households representing 80 per cent of India's rural population have been provided access to potable tap water connections.

To achieve 100 per cent coverage, I am pleased to announce the extension of the Mission until 2028 with an enhanced total outlay.

**56.** The Mission's focus will be on the quality of infrastructure and O&M of rural piped water supply schemes through "Jan Bhagidhari". Separate MoUs will be signed with states/UTs, to ensure sustainability and citizen-centric water service delivery.

#### **Urban Sector Reforms**

**57.** Building on the July Budget proposals, urban sector reforms related to governance, municipal services, urban land, and planning will be incentivized.

#### **Urban Challenge Fund**

**58.** The Government will set up an Urban Challenge Fund of ₹ 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation' announced in the July Budget.

**59.** This fund will finance up to 25 per cent of the cost of bankable projects with a stipulation that at least 50 per cent of the cost is funded from bonds, bank loans, and PPPs. An allocation of ₹ 10,000 crore is proposed for 2025-26.

#### **Power Sector Reforms**

**60.** We will incentivize electricity distribution reforms and augmentation of intra-state transmission capacity by states. This will improve financial health and capacity of electricity companies. Additional borrowing of 0.5 per cent of GSDP will be allowed to states, contingent on these reforms.

#### **Nuclear Energy Mission for Viksit Bharat**

**61.** Development of at least 100 GW of nuclear energy by 2047 is essential for our energy transition efforts. For an active partnership with the private sector towards this goal, amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up.

**62.** A Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of ₹ 20,000 crore will be set up. At least 5 indigenously developed SMRs will be operationalized by 2033.

**Shipbuilding**

63. The Shipbuilding Financial Assistance Policy will be revamped to address cost disadvantages. This will also include Credit Notes for shipbreaking in Indian yards to promote the circular economy.

64. Large ships above a specified size will be included in the infrastructure harmonized master list (HML).

65. Shipbuilding Clusters will be facilitated to increase the range, categories and capacity of ships. This will include additional infrastructure facilities, skilling and technology to develop the entire ecosystem.

**Maritime Development Fund**

66. For long-term financing for the maritime industry, a Maritime Development Fund with a corpus of ₹ 25,000 crore will be set up. This will be for distributed support and promoting competition. This will have up to 49 per cent contribution by the Government, and the balance will be mobilized from ports and private sector.

**UDAN - Regional Connectivity Scheme**

67. UDAN has enabled 1.5 crore middle-class people to meet their aspirations for speedier travel. The scheme has connected 88 airports and operationalized 619 routes. Inspired by that success, a modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years. The scheme will also support helipads and smaller airports in hilly, aspirational, and North East region districts.

**Greenfield Airport in Bihar**

68. 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.

**Western Koshi Canal Project in Mithilanchal**

69. Financial support will be provided for the Western Koshi Canal ERM Project benefitting a large number of farmers cultivating over 50,000 hectares of land in the Mithilanchal region of Bihar.



**Mining Sector Reforms**

**70.** Mining sector reforms, including those for minor minerals, will be encouraged through sharing of best practices and institution of a State Mining Index.

**71.** A policy for recovery of critical minerals from tailings will be brought out.

**SWAMIH Fund 2**

**72.** Under the Special Window for Affordable and Mid-Income Housing (SWAMIH) fifty thousand dwelling units in stressed housing projects have been completed, and keys handed over to home-buyers. Another forty thousand units will be completed in 2025, further helping middle-class families who were paying EMIs on loans taken for apartments, while also paying rent for their current dwellings.

**73.** Building on this success, SWAMIH Fund 2 will be established as a blended finance facility with contribution from the Government, banks and private investors. This fund of ₹ 15,000 crore will aim for expeditious completion of another 1 lakh units.

**PM Gati Shakti Data for Private Sector**

**74.** For furthering PPPs and assisting the private sector in project planning, access to relevant data and maps from the PM Gati Shakti portal will be provided.

**Tourism for employment-led growth**

**75.** Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode. Land for building key infrastructure will have to be provided by states. Hotels in those destinations will be included in the infrastructure HML.

**76.** The following measures will be taken for facilitating employment-led growth:

- 1) Organizing intensive skill-development programmes for our youth including in Institutes of Hospitality Management;
- 2) Providing MUDRA loans for homestays;
- 3) Improving ease of travel and connectivity to tourist destinations;

- 4) Providing performance-linked incentives to states for effective destination management including tourist amenities, cleanliness, and marketing efforts; and
- 5) Introducing streamlined e-visa facilities along with visa-fee waivers for certain tourist groups.

**77.** Continuing with the emphasis on places of spiritual and religious significance in the July Budget, there will be a special focus on destinations related to the life and times of Lord Buddha.

#### **Medical Tourism and Heal in India**

**78.** Medical Tourism and Heal in India will be promoted in partnership with the private sector along with capacity building and easier visa norms.

#### **C. Investing in Innovation**

##### **Research, Development and Innovation**

**79.** To implement private sector driven Research, Development and Innovation initiative announced in the July Budget, I am now allocating ₹ 20,000 crore.

##### **Deep Tech Fund of Funds**

**80.** A Deep Tech Fund of Funds will also be explored to catalyze the next generation startups as a part of this initiative.

##### **PM Research Fellowship**

**81.** In the next five years, under the PM Research Fellowship scheme, we will provide ten thousand fellowships for technological research in IITs and IISc with enhanced financial support.

##### **Gene Bank for Crops Germplasm**

**82.** The 2<sup>nd</sup> Gene Bank with 10 lakh germplasm lines will be set up for future food and nutritional security. This will provide conservation support to both public and private sectors for genetic resources.

##### **National Geospatial Mission**

**83.** We will start a National Geospatial Mission to develop foundational geospatial infrastructure and data. Using PM Gati Shakti, this Mission will facilitate modernization of land records, urban planning, and design of infrastructure projects.

**Gyan Bharatam Mission**

**84.** A Gyan Bharatam Mission for survey, documentation and conservation of our manuscript heritage with academic institutions, museums, libraries and private collectors will be undertaken to cover more than 1 crore manuscripts. We will set up a National Digital Repository of Indian knowledge systems for knowledge sharing.

**85.** Now, I move to Exports as the 4<sup>th</sup> engine.

**Exports as the 4<sup>th</sup> engine****Export Promotion Mission**

**86.** We will set up an Export Promotion Mission, with sectoral and ministerial targets, driven jointly by the Ministries of Commerce, MSME, and Finance. It will facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures in overseas markets.

**BharatTradeNet**

**87.** A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. This will complement the Unified Logistics Interface Platform. The BTN will be aligned with international practices.

**Support for integration with Global Supply Chains**

**88.** Support will be provided to develop domestic manufacturing capacities for our economy's integration with global supply chains. Sectors will be identified based on objective criteria.

**89.** Facilitation groups with participation of senior officers and industry representatives will be formed for select products and supply chains.

**90.** Through this, there are huge opportunities related to Industry 4.0, which needs high skills and talent. Our youth have both. Our Government will support the domestic electronic equipment industry to leverage this opportunity for the benefit of the youth.

**National Framework for GCC**

**91.** A national framework will be formulated as guidance to states for promoting Global Capability Centres in emerging tier 2 cities. This will suggest

measures for enhancing availability of talent and infrastructure, building-by-law reforms, and mechanisms for collaboration with industry.

#### **Warehousing facility for air cargo**

92. Our Government will facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce. Cargo screening and customs protocols will be streamlined and made user-friendly.

#### **Reforms as the Fuel**

93. Now I move to 'Reforms as the Fuel', and detail specific reforms.

#### **Tax Reforms**

94. Over the past 10 years, our Government has implemented several reforms for convenience of tax payers, such as (1) faceless assessment, (2) tax payers charter, (3) faster returns, (4) almost 99 per cent returns being on self-assessment, and (5) Vivad se Vishwas scheme. Continuing these efforts, I reaffirm the commitment of the tax department to "trust first, scrutinize later". I also propose to introduce the new income-tax bill next week. I will detail the indirect tax reforms and changes in direct taxes in Part B.

#### **Financial Sector Reforms and Development**

##### **FDI in Insurance Sector**

95. The FDI limit for the insurance sector will be raised from 74 to 100 per cent. This 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.

##### **Expanding Services of India Post Payment Bank**

96. The services of India Post Payment Bank will be deepened and expanded in rural areas.

##### **Credit Enhancement Facility by NaBFID**

97. NaBFID will set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.

##### **Grameen Credit Score**

98. Public Sector Banks will develop 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.

**Pension Sector**

99. A forum for regulatory coordination and development of pension products will be set up.

**KYC Simplification**

100. To implement the earlier announcement on simplifying the KYC process, the revamped Central KYC Registry will be rolled out in 2025. We will also implement a streamlined system for periodic updating.

**Merger of Companies**

101. Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will also be widened and the process made simpler.

**Bilateral Investment Treaties**

102. As proposed in the Interim Budget, we signed Bilateral Investment Treaties (BIT) with two countries in 2024. To encourage sustained foreign investment and in the spirit of 'first develop India', the current model BIT will be revamped and made more investor-friendly.

**Regulatory Reforms**

103. In the last ten years in several aspects, including financial and non-financial, our Government has demonstrated a steadfast commitment to 'Ease of Doing Business'. We are determined to ensure that our regulations must keep up with technological innovations and global policy developments. A light-touch regulatory framework based on principles and trust will unleash productivity and employment. Through this framework, we will update regulations that were made under old laws. To develop this modern, flexible, people-friendly, and trust-based regulatory framework appropriate for the twenty-first century, I propose four specific measures:

**High Level Committee for Regulatory Reforms**

104. A High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions. The committee will be expected make recommendations within a

year. The objective is to strengthen trust-based economic governance and take transformational measures to enhance 'ease of doing business', especially in matters of inspections and compliances. States will be encouraged to join in this endeavour.

### **Investment Friendliness Index of States**

**105.** An Investment Friendliness Index of States will be launched in 2025 to further the spirit of competitive cooperative federalism.

### **FSDC Mechanism**

**106.** Under the Financial Stability and Development Council, a mechanism will be set up to evaluate impact of the current financial regulations and subsidiary instructions. It will also formulate a framework to enhance their responsiveness and development of the financial sector.

### **Jan Vishwas Bill 2.0**

**107.** In the Jan Vishwas Act 2023, more than 180 legal provisions were decriminalized. Our Government will now bring up the Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws.

### **Fiscal Policy**

**108.** Now I move to fiscal policy matters.

### **Fiscal Consolidation**

**109.** In the July Budget, I had committed to staying the course for fiscal consolidation. Our endeavour will be to keep the fiscal deficit each year such that the Central Government debt remains on a declining path as a percentage of the GDP. The roadmap for the next 6 years has been detailed in the FRBM statement.

### **Revised Estimates 2024-25**

**110.** The Revised Estimate of the total receipts other than borrowings is ₹ 31.47 lakh crore, of which the net tax receipts are ₹ 25.57 lakh crore. The Revised Estimate of the total expenditure is ₹ 47.16 lakh crore, of which the capital expenditure is about ₹ 10.18 lakh crore.

**111.** The Revised Estimate of the fiscal deficit is 4.8 per cent of GDP.

**Budget Estimates 2025-26**

**112.** Coming to 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.

**113.** The fiscal deficit is estimated to be 4.4 per cent of GDP.

**114.** To finance the fiscal deficit, the net market borrowings from dated securities are estimated at ₹ 11.54 lakh crore. The balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at ₹ 14.82 lakh crore.

I will now move to Part B.

## **PART B**

### **Indirect Taxes**

**115.** My proposals relating to Customs aim to rationalize tariff structure and address duty inversion. These will also support domestic manufacturing and value addition, promote exports, facilitate trade and provide relief to common people.

#### **Rationalisation of Customs Tariff Structure for Industrial Goods**

**116.** As a part of comprehensive review of Customs rate structure announced in July 2024 Budget, I propose to:

- (i) remove seven tariff rates. This is over and above the seven tariff rates removed in 2023-24 budget. After this, there will be only eight remaining tariff rates including 'zero' rate.
- (ii) apply appropriate cess to broadly maintain effective duty incidence except on a few items, where such incidence will reduce marginally.
- (iii) levy not more than one cess or surcharge. Therefore, I propose to exempt Social Welfare Surcharge on 82 tariff lines that are subject to a cess.

**117.** I shall now take up sector specific proposals.

#### **Relief on import of Drugs/Medicines**

**118.** To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, I propose to add 36 lifesaving drugs and medicines to the list of medicines fully exempted from Basic Customs Duty (BCD). I also propose to add 6 lifesaving medicines to the list attracting concessional customs duty of 5%. Full exemption and concessional duty will also respectively apply on the bulk drugs for manufacture of the above.

**119.** Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies are fully exempt from BCD, provided the medicines are supplied free of cost to patients. I propose to add 37 more medicines along with 13 new patient assistance programmes.



## **Support to Domestic Manufacturing and Value addition**

### **Critical Minerals**

**120.** In the July 2024 Budget, I had fully exempted BCD on 25 critical minerals that are not domestically available. I had also reduced BCD of 2 other such minerals to provide a major fillip to their processing especially by MSMEs. Now, I propose to fully exempt cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals. This will help secure their availability for manufacturing in India and promote more jobs for our youth.

### **Textiles**

**121.** To promote domestic production of technical textile products such as agro-textiles, medical textiles and geo textiles at competitive prices, I propose to add two more types of shuttle-less looms to the list of fully exempted textile machinery. I also propose to revise the BCD rate on knitted fabrics covered by nine tariff lines from “10% or 20%” to “20% or ₹ 115 per kg, whichever is higher”.

### **Electronic Goods**

**122.** In line with our ‘Make in India’ policy, and to rectify inverted duty structure, I propose to increase the BCD on Interactive Flat Panel Display (IFPD) from 10% to 20% and reduce the BCD to 5% on Open Cell and other components.

**123.** In 2023 -24 Budget, for the manufacture of Open Cells of LCD/LED TVs, I had reduced the BCD on parts of Open Cells from 5% to 2.5% . To further boost the manufacture of such Open Cells, the BCD on these parts will now stand exempted.

### **Lithium Ion Battery**

**124.** To the list of exempted capital goods, I propose to add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing. This will boost domestic manufacture of lithium-ion battery, both for mobile phones and electric vehicles.

### **Shipping Sector**

**125.** Considering that shipbuilding has a long gestation period, I propose to continue the exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships for another ten years. I also propose the same dispensation for ship breaking to make it more competitive.

**Telecommunication**

**126.** To prevent classification disputes, I propose to reduce the BCD from 20% to 10% on Carrier Grade ethernet switches to make it at par with Non-Carrier Grade ethernet switches.

**Export Promotion****Handicraft Goods**

**127.** To facilitate exports of handicrafts, I propose to extend the time period for export from six months to one year, further extendable by another three months, if required. I also propose to add nine items to the list of duty-free inputs.

**Leather sector**

**128.** I propose to fully exempt BCD on Wet Blue leather to facilitate imports for domestic value addition and employment. I also propose to exempt crust leather from 20% export duty to facilitate exports by small tanners.

**Marine products**

**129.** To enhance India's competitiveness in the global seafood market, I propose to reduce BCD from 30% to 5% on Frozen Fish Paste (Surimi) for manufacture and export of its analogue products. I also propose to reduce BCD from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds.

**Domestic MROs for Railway Goods**

**130.** In July 2024 Budget, to promote development of domestic MROs for aircraft and ships, I had extended the time limit for export of foreign origin goods that were imported for repairs, from 6 months to one year and further extendable by one year. I now propose to extend the same dispensation for railway goods.

**Trade facilitation****Time limit for Provisional Assessment**

**131.** Presently, the Customs Act, 1962 does not provide any time limit to finalize Provisional Assessments leading to uncertainty and cost to trade. As a measure of promoting ease of doing business, I propose to fix a time-limit of two years, extendable by a year, for finalising the provisional assessment.

### Voluntary Compliance

**132.** I propose to introduce a new provision that will enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty. This will incentivise voluntary compliance. However, this will not apply in cases where department has already initiated audit or investigation proceedings.

### Extended Time for End Use

**133.** For industry to better plan their imports, I propose to extend the time limit for the end-use of imported inputs in the relevant rules, from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

## Direct Taxes

I now come to my Direct tax proposals.

**134.** In Part A, I have briefly underlined Taxation Reforms as one of key reforms to realize our vision of Viksit Bharat. In respect of criminal law, Our Government had earlier ushered in Bharatiya Nyaya Sanhita replacing Bharatiya Danda Sanhita. I am happy to inform this August House and the country that the new income-tax bill will carry forward the same spirit of “Nyaya”. The new bill will be clear and direct in text with close to half of the present law, in terms of both chapters and words. It will be simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.

**135.** Reforms, however, are not a destination. They are a means to achieve good governance for our people and economy. Providing good governance primarily involves being responsive. The Thirukkural captures this in Verse 542, which reads:

வானோக்கி வாழும் உலகெல்லாம் மன்னவன்  
கோல்நோக்கி வாழுங் குடி.

*vaanokki vaalum ulakellaam mannavan*

*koalnokki vaalung kuti*

Meaning:

Just as living beings live expecting rains,

Citizens live expecting good governance.

Our Government is committed to keeping an ear to the ground and a finger on the pulse, and responding while balancing our nation-building efforts. The following measures will detail just how our Government under the guidance of PM Modi has taken steps to understand and address the needs voiced by our citizens. My tax proposals are guided by this spirit.

**136.** The objectives of my proposals are as follows:

- (i) Personal Income Tax reforms with special focus on middle class
- (ii) Rationalization of TDS/TCS for easing difficulties
- (iii) Encouraging voluntary compliance
- (iv) Reducing compliance burden
- (v) Ease of doing business
- (vi) Employment and investment

I will come to my proposal on personal income tax towards the end.

#### **TDS/TCS rationalization for easing difficulties**

**137.** I propose to rationalize Tax Deduction at Source (TDS) by reducing the number of rates and thresholds above which TDS is deducted. Further, threshold amounts for tax deduction will be increased for better clarity and uniformity. The limit for tax deduction on interest for senior citizens is being doubled from the present ₹ 50,000 to ₹ 1 lakh. Similarly, the annual limit of ₹ 2.40 lakh for TDS on rent is being increased to ₹ 6 lakh. This will reduce the number of transactions liable to TDS, thus benefitting small tax payers receiving small payments.

**138.** The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) is proposed to be increased from ₹ 7 lakh to ₹ 10 lakh. I also propose to remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution.

**139.** Both TDS and TCS are being applied on any transaction relating to sale of goods. To prevent such compliance difficulties, I propose to omit the TCS. I also propose that the provisions of the higher TDS deduction will now apply only in non-PAN cases.

**140.** In July 2024, the delay for payment of TDS up to the due date of filing statement was decriminalized. I propose to provide the same relaxation to TCS provisions as well.

#### **Encouraging Voluntary Compliance**

**141.** The Government under the leadership of Prime Minister Modi believes in “Sabka Saath, Sabka Vikas, Sabka Vishwas and Sabka Prayas”. In line with this, we brought in updated return facility in 2022 for voluntary compliance by taxpayers who had omitted to report their correct income. Our trust in taxpayers was proved right. Nearly 90 lakh taxpayers voluntarily updated their incomes by paying additional tax. Taking this trust further, I now propose to extend the time-limit to file updated returns for any assessment year, from the current limit of two years, to four years.

#### **Reducing Compliance Burden**

**142.** I propose to reduce the compliance burden for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years. It is also proposed that disproportionate consequences do not arise for minor defaults, such as incomplete applications filed by charitable entities.

**143.** Presently tax-payers can claim the annual value of self-occupied properties as nil only on the fulfilment of certain conditions. Considering the difficulties faced by taxpayers, it is proposed to allow the benefit of two such self-occupied properties without any condition.

#### **Ease of Doing Business**

**144.** To streamline the process of transfer pricing and to provide an alternative to yearly examination, I propose to introduce a scheme for determining arm's length price of international transaction for a block period of three years. This will be in line with global best practices.

**145.** With a view to reduce litigation and provide certainty in international taxation, the scope of safe harbour rules is being expanded.

**146.** A number of senior and very senior citizens have very old National Savings Scheme accounts. As interest is no longer payable on such accounts, I propose to exempt withdrawals made from NSS by individuals on or after the 29th of August, 2024. I am also proposing to allow similar treatment to NPS Vatsalya accounts as is available to normal NPS accounts, subject to overall limits.

**147.** In my speech in July 2024, I had promised that all processes including giving effect to appellate orders shall be digitalized and made paper-less over the next two years. I am happy to announce that digitalization is being made operational.

**148.** In July 2024, we brought in the Vivad Se Vishwas Scheme to resolve income tax disputes pending in appeal. The scheme has received a great response, with nearly 33,000 tax payers having availed of this scheme to settle their disputes.

#### **Employment and Investment**

**149.** I have a few proposals to promote investment and employment.

#### **Tax certainty for electronics manufacturing Schemes**

**150.** It is proposed to provide a presumptive taxation regime for non-residents who provide services to a resident company that is establishing or operating an electronics manufacturing facility. I further propose to introduce a safe harbour for tax certainty for non-residents who store components for supply to specified electronics manufacturing units.

#### **Tonnage Tax Scheme for Inland Vessels**

**151.** Presently the tonnage tax scheme is available to only sea going ships. The benefits of existing tonnage tax scheme are proposed to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote inland water transport in the country.

#### **Extension for incorporation of Start-Ups**

**152.** We continue to support the Indian start-up eco-system. I propose to extend the period of incorporation by 5 years to allow the benefit available to start-ups which are incorporated before 1.4.2030.

#### **International Financial Services Centre (IFSC)**

**153.** In order to attract and promote additional activities in the IFSC, I am *inter alia* proposing specific benefits to ship-leasing units, insurance offices and treasury centres of global companies which are set up in IFSC. Further, to claim benefits, the cut-off date for commencement in IFSC has also been extended by five years to 31.3.2030.

### **Alternate Investment Funds (AIFs)**

**154.** Category I and category II AIFs are undertaking investments in infrastructure and other such sectors. I propose to provide certainty of taxation to these entities on the gains from securities.

### **Extension of investment date for Sovereign and Pension Funds**

**155.** To promote funding from Sovereign Wealth Funds and Pension Funds to the infrastructure sector, I propose to extend the date of making an investment by five more years, to 31<sup>st</sup> March, 2030.

### **Personal Income- tax Reforms with special focus on middle class**

**156.** Democracy, Demography and Demand are the key support pillars in our journey towards Viksit Bharat. The middle class provides strength for India's growth. This Government under the leadership of Prime Minister Modi has always believed in the admirable energy and ability of the middle class in nation building. In recognition of their contribution, we have periodically reduced their tax burden. Right after 2014, the 'Nil tax' slab was raised to ₹ 2.5 lakh, which was further raised to ₹ 5 lakh in 2019 and to ₹ 7 lakh in 2023. This is reflective of our Government's trust on the middle-class tax payers. I am now happy to announce that there will be no income tax payable upto income of ₹ 12 lakh (i.e. average income of ₹ 1 lakh per month other than special rate income such as capital gains) under the new regime. This limit will be ₹ 12.75 lakh for salaried tax payers, due to standard deduction of ₹ 75,000.

**157.** Slabs and rates are being changed across the board to benefit all tax-payers. The new structure will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment.

**158.** In the new tax regime, I propose to revise tax rate structure as follows:

0-4 lakh rupees	Nil
4-8 lakh rupees	5 per cent
8-12 lakh rupees	10 per cent
12-16 lakh rupees	15 per cent
16-20 lakh rupees	20 per cent
20- 24 lakh rupees	25 per cent
Above 24 lakh rupees	30 per cent

**159.** To tax payers upto ₹ 12 lakh of normal income (other than special rate income such as capital gains) tax rebate is being provided in addition to the benefit due to slab rate reduction in such a manner that there is no tax payable by them. The total tax benefit of slab rate changes and rebate at different income levels can be illustrated with examples. A tax payer in the new regime with an income of ₹ 12 lakh will get a benefit of ₹ 80,000 in tax (which is 100% of tax payable as per existing rates). A person having income of ₹ 18 lakh will get a benefit of ₹ 70,000 in tax (30% of tax payable as per existing rates). A person with an income of ₹ 25 lakh gets a benefit of ₹ 1,10,000 (25% of his tax payable as per existing rates).

**160.** Details of my tax proposals are given in the Annexure.

**161.** As a result of these proposals, revenue of about ₹ 1 lakh crore in direct taxes and ₹ 2600 crore in indirect taxes will be forgone.

Mr. Speaker Sir, with this, I commend the budget to this august House.

Jai Hind.



## **Annexures to Part A**

### **Annexure A**

#### **Building Rural Prosperity and Resilience**

The programme will focus at:

- 1) catalyzing enterprise development, employment and financial independence for rural women;
- 2) accelerating creation of new employment and businesses for young farmers and rural youth;
- 3) nurturing and modernizing agriculture for productivity improvement and warehousing, especially for marginal and small farmers; and
- 4) diversifying opportunities for landless families.

### **Annexure B**

#### **Mission for Aatmanirbharta in Pulses**

The Mission will place emphasis on:

- 1) development and commercial availability of climate resilient seeds,
- 2) enhancing protein content,
- 3) increasing productivity,
- 4) improving post-harvest storage and management, and
- 5) assuring remunerative prices to the farmers.

### Annexure C

#### India Post as a Catalyst for the Rural Economy

The expanded range of services will include:

- 1) rural community hub colocation;
- 2) institutional account services;
- 3) DBT, cash out and EMI pick-up;
- 4) credit services to micro enterprises;
- 5) insurance; and
- 6) assisted digital services.

### Annexure D

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
<b>Micro Enterprises</b>	<b>1</b>	<b>2.5</b>	<b>5</b>	<b>10</b>
<b>Small Enterprises</b>	<b>10</b>	<b>25</b>	<b>50</b>	<b>100</b>
<b>Medium Enterprises</b>	<b>50</b>	<b>125</b>	<b>250</b>	<b>500</b>

### Annexure E

#### Manufacturing Mission - Furthering "Make in India"

The Mission's mandate will include 5 focus areas:

- 1) ease and cost of doing business;
- 2) future ready workforce for in-demand jobs;
- 3) a vibrant and dynamic MSME sector;
- 4) availability of technology; and
- 5) quality products.

## Annexure to Part B

### Amendments relating to Indirect Taxes

<b>A. LEGISLATIVE CHANGES IN CUSTOMS LAWS</b>	
<b>A.1</b>	<b>Amendments in the Customs Act, 1962</b>
(i)	A new sub-section (1B) is being inserted in Section 18 to provide time limit of two years for finalization of provisional assessment. It also provides that this time limit may be extended by the Commissioner of Customs for a further period of one year if sufficient cause is shown. It further provides that, for the pending cases, the time-limit shall be computed from the date of assent of the Finance Bill, 2025.
(ii)	A new sub-section (1C) is being inserted to provide for certain grounds on which the time-limit of two years for finalizing provisional assessment shall remain suspended.
(iii)	A new section 18A is being inserted for voluntary revision of entry after clearance of goods to allow importers and exporters to revise any entry made in relation to the goods within a prescribed time and subject to conditions as may be prescribed. It also provides for treating such revised entry as self-assessment and allow payment of duty or treat the revised entry as a refund claim under section 27. It further provides for certain cases where this section will not apply.
(iv)	A new Explanation is being inserted in sub-section 1 of section 27 to clarify that the period of limitation for claim of refund consequent to the revised entry under section 18A or amendment under Section 149 of the Customs Act, 1962, shall be one year from the date of payment of duty or interest.
(v)	A new clause is being inserted in Explanation 1 to Section 28 to provide that the relevant date in the case of payment of duty as per the revised entry under section 18A is the date of payment of duty or interest.
(vi)	A new clause is being inserted after clause (d) and (e) of section 127A to define Interim Board, Member of the Interim Board and pending applications.
(vii)	A new sub-section (6) is being inserted after sub-section (5) in section 127B to provide end date for receipt of applications under this section.

- (viii) A new sub-section (12) is being inserted after sub-section (11) in section 127C to make applicable the sub-sections of Section 127C of the Customs Act, 1962 to the Interim Board.
- (ix) A new sub-section (3) is being inserted after sub-section (2) in section 127D clarifying that the powers of Settlement Commission shall be exercised by the Interim Board and the provisions of this section shall, mutatis mutandis, apply to the Interim Board as they apply to the Settlement Commission.
- (x) A new sub-section (5) is being inserted after sub-section (4) of section 127F providing that the powers and functions of Settlement Commission shall be exercised or performed by the Interim Board.
- (xi) A Proviso to section 127G of the Customs Act, 1962 is being inserted to provide that the powers and functions of Settlement Commission under this section shall be exercised or performed by the Interim Board.
- (xii) A new sub-section (4) is being inserted after sub-section (3) in section 127H of the Customs Act, 1962 to provide that the powers and functions of Settlement Commission under this section shall be exercised or performed by the Interim Board.

These changes shall come into effect from date of assent to the Finance Bill, 2025

## **A.2 Amendments in the Customs Tariff Act, 1975**

- a) The First Schedule to the Customs Tariff Act, 1975 is being amended to, -
  - (i) revise tariff rates on certain industrial tariff items
  - (ii) add 178 new tariff entries in chapter 10, 20, 27, 28, 29, 38 and 71 and substitute/delete 63 tariff entries; insert supplementary notes in chapter 10, 20, 29 and 38 and amend 2 supplementary notes. This is to align the tariff lines with WCO classification and better identification of goods.

These changes shall come into effect from 1.5.2025.

**B. LEGISLATIVE CHANGES IN GST LAWS**

[Save as otherwise provided, these changes will be brought into effect from a date to be notified in coordination with States, as per recommendations of the GST council]

**AMENDMENT FOR TRADE FACILITATION****B.1 Amendments in section 2 of the CGST Act, 2017:**

- a) Clause (61) is being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of Integrated Goods and Services Tax Act. This amendment will be effective from 1st April, 2025.
- b) Clause (69) (c) is being amended to insert an Explanation to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the definition of "local authority" under the said clause so as to clarify the scope of the said terms.
- c) A new clause (112A) is being inserted to provide definition of Unique Identification Marking for implementation of Track and Trace Mechanism

**B.2 Amendments in Section 12 and 13 of the CGST Act, 2017**

Sub-section (4) of Section 12 and Sub-section (4) of Section 13 relating to time of supply in respect of vouchers are being omitted.

**B.3 Amendments in Section 17 of the CGST Act, 2017**

Clause (d) of sub-section (5) is being amended to substitute the words "plant or machinery" with the words "plant and machinery" with effect from 1st July, 2017.

**B.4 Amendments in Section 20 of the CGST Act, 2017**

Section 20(1) and Section 20(2) are being amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies, on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of Integrated Goods and Services Tax Act in sub-section (1) of section 20. The amendment will be effective from 1st April, 2025.

**B.5 Amendments in Section 34 of the CGST Act, 2017**

The Proviso to sub-section (2) is being amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note.

**B.6 Amendments in Section 38 of the CGST Act, 2017**

- a) Section 38(1) is being amended to omit the expression "auto-generated".
- b) Section 38(2) is being amended to omit the expression "auto-generated" and to insert the expression "including" after the words "by the recipient" in clause (b) to make the said clause more inclusive.
- c) Section 38(2) is also being amended to insert a new clause (c) to provide an enabling clause to prescribe other details to be made available in statement of input tax credit.

**B.7 Amendments in Section 39 of the CGST Act, 2017**

Section 39(1) is being amended to provide an enabling clause to prescribe certain conditions and restriction for filing of return.

**B.8. Amendments in Section 107 and 112 of the CGST Act, 2017**

- a) Section 107(6) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority in cases involving only demand of penalty without any demand for tax.
- b) Section 112(8) is amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Tribunal in cases involving only demand of penalty without any demand for tax.

**B.9 Insertion of a new section 122B of the CGST Act, 2017**

A new Section 122B is being inserted to provide penalties for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A.

**B.10 Insertion of a new section 148A of the CGST Act, 2017**

Section 148A is being inserted to provide for enabling mechanism for a Track and Trace Mechanism for specified commodities.

**B.11 Amendments in Schedule III of the CGST Act,2017**

Schedule III is being amended, w.e.f. 01.7.2017 to,-

- a) insert a new Entry (aa) in paragraph 8 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.
- b) Amend Explanation 2, w.e.f. 01.07.2017 to clarify that the said explanation would be applicable in respect of entry (a) of paragraph 8.
- c) Insert Explanation 3 to define the terms 'Special Economic Zone', 'Free Trade Warehousing Zone' and 'Domestic Tariff Area', for the purpose of the proposed entry (aa) in paragraph 8.
- d) To provide that no refund of tax already paid will be available for the transactions referred above.

**C. OTHER PROVISIONS IN THE FINANCE BILL****C.1 Special Provision for Exemption from Service Tax in Certain Cases:**

Services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme (WBCIS) and the Modified National Agricultural Insurance Scheme (MNAIS), are being exempted from service tax for the period commencing from 1<sup>st</sup> April, 2011 and ending with 30<sup>th</sup> June, 2017.

**D. CUSTOMS DUTY RATE CHANGES**

**D.1. Reduction in customs duty to reduce input costs, deepen value addition, promote export competitiveness, correct inverted duty structure, boost domestic manufacturing etc [with effect from 2.2.2025]**

S. No.	Commodity	From (per cent)	To (per cent)
<b>I.</b>	<b>Aquafarming &amp; Marine exports</b>		
1.	Frozen fish paste (surimi) for manufacture of surimi analogue products for export	30	5

<b>S. No.</b>	<b>Commodity</b>	<b>From (per cent)</b>	<b>To (per cent)</b>
2.	Fish hydrolysate for manufacture of aquatic feed	15	5
<b>II.</b>	<b>Chemicals</b>		
1.	Other compounds containing a pyrimidine ring (whether or not hydrogenated) or piperazine ring in the structure classified under tariff sub heading 2933 59	10	7.5
2.	Synthetic flavouring essences and mixtures of odoriferous substances of a kind used in food or drink industries classified under tariff sub heading 3302 10	100	20
3.	Sorbitol classified under tariff subheading 3824 60	30	20
<b>III.</b>	<b>Waste and Scrap of Critical Minerals and others</b>		
1.	Waste and scrap of Antimony, Beryllium, Bismuth, Cobalt, Cadmium, Molybdenum, Rhenium, Tantalum, Tin, Tungsten, Zirconium, Copper scrap covered under tariff items 74040012, 74040019 and 74040022	10/5/2.5	Nil
2.	Waste and scrap of Lithium-Ion Battery	5	Nil
3.	Cobalt powder	5	Nil
4.	Waste and scrap of Lead	5	Nil
5.	Waste and scrap Zinc	5	Nil
<b>IV.</b>	<b>Drugs and Medicines</b>		
1.	Addition of 6 more medicines in List 3 and bulk drugs for their manufacture	As applicable	5



<b>S. No.</b>	<b>Commodity</b>	<b>From (per cent)</b>	<b>To (per cent)</b>
2.	Addition of 36 more medicines in List 4 and bulk drugs for their manufacture	As applicable	Nil
3.	Addition of 37 more medicines and 13 Patient Assistance Programmes in the list of duty free imports by pharmaceutical companies for supply free of cost to patients	As applicable	Nil
<b>V.</b>	<b>Precious Metals</b>		
1.	Platinum findings	25	6.4 (5 BCD + 1.4 AIDC)
<b>VI.</b>	<b>Textile, Handicraft and Leather Sector</b>		
1.	Wet blue leather	10	Nil
2.	Shuttle less loom Rapier Looms (below 650 meters per minute) and Shuttle less loom Air jet Looms (below 1000 meters per minute) for use in textile industry	7.5	Nil
3.	Certain additional items for duty free import by bonafide exporters for manufacture of handicrafts	As applicable	Nil
<b>VII.</b>	<b>Capital Goods</b>		
1.	Addition of 35 capital goods/machinery for use in the manufacture of lithium-ion battery of EVs and 28 capital goods/machinery for use in the manufacture of lithium-ion battery of mobile phones	As applicable	Nil
<b>VIII.</b>	<b>IT and Electronics</b>		
1.	Inputs/ parts and sub-parts of PCBA, camera module, connectors and inputs or raw materials for use in	2.5	Nil

<b>S. No.</b>	<b>Commodity</b>	<b>From (per cent)</b>	<b>To (per cent)</b>
	manufacture of wired headset, microphone and receiver, USB cable, fingerprint reader/ sensor of cellular mobile phone		
2.	Specified inputs/parts (chip on film, PCBA, glass board / substrate cell) for use in manufacture of open cells of TV panels of LED/LCD TV	2.5	Nil
3.	Ethernet Switches Carrier-Grade	20	10
4.	Open cell (with or without touch) for interactive Flat Panel Display module, Touch Glass sheet and Touch Sensor PCB for use in manufacture of Interactive Flat Panel Display module	15/10	5
<b>IX.</b>	<b>Space Sector</b>		
1.	Ground installation for satellites including its spares and consumables	As applicable	Nil
2.	Goods used in the building of launch vehicles and launching of satellites	5	Nil
<b>X.</b>	<b>Motorcycles</b>		
1.	(i) Engine capacity not exceeding 1600 CC (CBU)	50	40
	(ii) Semi-knocked down (SKD)	25	20
	(iii) Completely knocked down (CKD)	15	10
2	(i) Engine capacity 1600 CC & above (CBU)	50	30
	(ii) Semi-knocked down (SKD)	25	20
	(iii) Completely knocked down (CKD)	15	10

**D.2. Increase in Customs duty [with effect from 02.02.2025]**

S. No.	Commodity	Rate of duties	
		From (per cent)	To (per cent)
<b>I.</b>	<b>Textiles</b>		
1.	Knitted Fabrics covered under tariff items 6004 10 00, 6004 90 00, 6006 22 00, 6006 31 00, 6006 32 00, 6006 33 00, 6006 34 00, 6006 42 00 and 6006 90 00	10/20	20 or Rs 115 per kg, whichever is higher
<b>II</b>	<b>Electronics</b>		
1	Interactive Flat Panel Display classified under tariff item 8528 59 00 (CBU)	10	20

**D.3. Decrease in Tariff rate with no change in Effective rate [With effect from 02.02.2025]**

S. No.	Commodity	Rate of duties	
		From (per cent)	To (per cent)
1.	Glycerol crude, glycerol waters, glycerol lye covered by tariff item 1520 00 00	30	20
2.	Phosphoric Acid	20	7.5
3.	Other – Prepared Binders, chemical products and preparations of chemical or allied industries covered under tariff item 3824 99 00	17.5	7.5
4.	Marble and travertine, granite, crude or roughly trimmed, merely cut into blocks, slabs and other (tariff sub heading 2515 12 and tariff items, 2525 11 00, 2516 11 00, 2516 12 00)	40	20 (+20 AIDC)

5.	Candles, tapers and the like covered by tariff heading 3406	25 (+2.5 SWS)	20 (+7.5 AIDC)
6.	Other reference materials	30	10
7.	PVC flex films including PVC flex banner and PVC flex sheets (tariff headings 3920, 3921)	25 (+2.5 SWS)	20 (+7.5 AIDC)
8.	Footwear covered under tariff headings 6401 to 6405	35 (+3.5 SWS)	20 (+18.5 AIDC)
9.	Worked monumental or building stone and articles thereof under heading 6802 except 6802 99 00	40	20
10	Marble slabs classified under tariff items 6802 10 00 , 6802 21 10 , 6802 21 20 , 6802 21 90 , 6802 91 00 and 6802 92 00	40	20 (+20 AIDC)
11.	OTS/MR type-flat rolled products of thickness less than 0.5 mm	27.5	15
12.	Other plates, sheets, strips of thickness less than 0.5mm	27.5	15
13.	Flat -rolled products in coils of thickness greater than or equal to 4.75 mm but not exceeding 10mm	22.5	15
14.	Flat-rolled products in coils of thickness greater than or equal to 3 mm but less than 4.75 mm	22.5	15
15.	Flat-rolled products of stainless steel of width 600mm or more- Other nickel chrome austenitic type	22.5	15
16.	Flat-rolled products of stainless steel of width 600mm or more- Other sheets and plates	22.5	15
17.	Flat-rolled products of other alloy steel grain oriented	20	15

18.	Other tubes or pipe fittings of stainless steel	25	15
19.	Other fittings of iron or steel, non-galvanised	25	15
20.	Other structure and parts of structures of iron and steel	25	15
21.	Others-tanks and drums etc.	25	15
22.	Other screws and bolts w/n with nuts	25	15
23.	Threaded nuts	25	15
24.	Other non-threaded articles	25	15
25.	Others springs and leaves of iron/steel	25	15
26.	Other cast articles of iron or steel	25	15
27.	Articles of forged or stamped but not further worked	25	15
28.	All other articles of iron/steel	25	15
29.	Solar cells covered by tariff heading 8541	25 (+2.5 SWS)	20 (+7.5 AIDC)
30.	Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars, under tariff heading 8703 >USD 40000	125 (tariff rate)  100 BCD + 10 SWS (effective rate)	70 (tariff rate)  70+ 40 AIDC (effective rate)
31.	Used Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars, under tariff heading 8703	125 (tariff)  125 BCD + 12.5 SWS (effective rate)	70 (tariff)  70+ 67.5 AIDC (effective rate)
32.	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor,	100 (tariff)	70(tariff)

	with or without side-cars under tariff heading 8711	<i>(No change in effective rate)</i>	<i>(No change in effective rate)</i>
33.	Used Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars under tariff heading 8711	100 (tariff)  100 BCD +10 SWS (effective rate)	70 (tariff)  70+ 40 AIDC (effective rate)
34.	Bicycles under tariff item 8712 00 10	35	20 (+15 AIDC)
35.	Yachts and other vessels for pleasure or sports; rowing boats and canoes covered under tariff heading 8903	25 (+2.5 SWS)	20 (+7.5 AIDC)
36	Electricity meters for alternating current (Smart Meters) under tariff item 9028 30 10	25 (+2.5 SWS)	20 (+7.5 AIDC)
37	Parts of electronic toys, under tariff item 9503 00 91 for manufacture of electronic toys	25 BCD + 2.5 SWS	20 BCD+ 7.5 AIDC

**D.4. Decrease in Tariff rate with reduction in effective rate [With effect from 02.02.2025]**

	Commodity	Rate of duties	
		From (per cent)	To (per cent)
1.	Synthetic flavouring essences and mixtures of odoriferous substances for use in food and drink industry	100	20 (+2 SWS)
2.	Sorbitol under tariff sub-heading 3824 60	30 (+3 SWS)	20 (+2 SWS)

	Commodity	Rate of duties	
		From (per cent)	To (per cent)
3.	Articles of jewellery and parts thereof under tariff heading 7113; articles of goldsmiths' or silversmiths' wares and parts thereof under tariff heading 7114	25	20
4.	Solar module under tariff heading 8541	40 (+4 SWS)	20 (+20 AIDC)
5.	Motor vehicles (for passenger) covered under tariff heading 8702	40 (+4 SWS)	20 (+20 AIDC)
6.	Motor vehicles (for goods) covered under tariff heading 8704	40 (+4 SWS)	20 (+20 AIDC)
7.	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof, covered under tariff heading 9401	25 (+2.5 SWS)	20 (+5 AIDC)
8.	Other furniture and parts thereof covered under tariff heading 9403	25 (+2.5 SWS)	20 (+5 AIDC)
9.	Mattress supports, articles of bedding and similar furnishing etc covered under tariff heading 9405	25 (+2.5 SWS)	20 (+5 AIDC)
10.	Luminaries and light fittings including searchlights and spotlights and parts thereof etc	25 (+2.5 SWS)	20 (+5 AIDC)
11.	Parts of electronic toys, under tariff item 9503 00 91	70	20 (+20 AIDC)

	Commodity	Rate of duties	
		From (per cent)	To (per cent)
12.	Laboratory chemicals under tariff item 9802 00 00 (other than those attracting 10% BCD on specified end use)	150 (+ 15 SWS)	70 (+ 70 AIDC)
13.	All dutiable articles, imported by a passenger or a member of a crew in his baggage, under tariff heading 9803	100 (tariff rate)  35+ 3.5 SWS (effective rate)	70 (tariff rate)  35 (effective rate)
14.	Dutiable goods imported for personal use classified under heading 9804 other than those at 10% BCD	35 (+ 3.5 SWS)	20

**E. Export duty on Leather [with effect from 2.2.2025]**

S. No.	Commodity	Rate of duties	
		From (per cent)	To (per cent)
1	Crust Leather (hides and skins)	20	0

**F. Trade Facilitation Measures**

**F.1. Increase in duration for export of handicrafts**

The duration for export of handicrafts manufactured from duty free inputs by bonafide exporters is being increased from 6 months to 1 year, further extendable by 3 months.

**F.2. Removal of Customs (Import of Goods at Concessional rate of duty or For Specific End Use) Rules 2022 (IGCR) condition for import of seeds for use in manufacture of Lab Grown Diamonds**

The IGCR condition for custom duty exemption on import of seeds for use in manufacture of rough Lab Grown Diamond is being removed.

**F.3. Extension of time limit for export**



The time limit for export of foreign origin goods imported for repairs is being extended from 6 months to one year further extendable by one year for railway goods.

**F.4. Amendment of Customs (Import of Goods at Concessional Rate of Duty or For Specified End Use ) Rules, 2022**

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

*Note: AIDC – Agriculture Infrastructure and Development Cess; SWS – Social Welfare Surcharge*

**G. OTHERS**

There are few other changes of minor nature. For details of the budget proposals, the Explanatory Memorandum and other relevant budget documents may be referred to.

## Annexure to Part B

### Amendments relating to Direct Taxes

#### (i) Personal Income-tax reforms with special focus on middle class

1. Substantial relief is proposed under the new tax regime with new slabs and tax rates as under: -

Total income	Rate of tax
Upto ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5 per cent
From ₹ 8,00,001 to ₹ 12,00,000	10 per cent
From ₹ 12,00,001 to ₹ 16,00,000	15 per cent
From ₹ 16,00,001 to ₹ 20,00,000	20 per cent
From ₹ 20,00,001 to ₹ 24,00,000	25 per cent
Above ₹ 24,00,000	30 per cent

#### 2. Rebate on income-tax

- Resident individual with total income up to ₹ 7,00,000 do not pay any tax due to rebate under the new tax regime. It is proposed to increase the rebate for the resident individual under the new regime so that they do not pay tax if their total income is up to ₹ 12,00,000. Marginal relief as provided earlier under the new tax regime is also applicable for income marginally higher than ₹ 12,00,000.
- A few examples for calculation of tax benefit are given in the table below:

Income	Tax on Slabs and rates		Benefit of	Rebate benefit	Total Benefit	Tax after rebate Benefit
	Present	Proposed				
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

**(ii) Rationalization of TDS/TCS for easing difficulties**

**1. Rationalization tax deducted at source (TDS) and tax collected at source (TCS) rates:**

- To reduce multiplicity of rates and compliance burden, it is proposed to bring down certain TDS and TCS rates in certain sections as below:

No	Section of the Act	Present TDS/TCS Rate	Proposed TDS/TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 30% otherwise	10%
2.	Sub-section (1) of section 206C (i) TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and (ii) TCS on timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after ₹ 7 lakhs	Nil

- It is further proposed to increase certain thresholds for requirement to deduct tax at source or collect tax at source under certain sections, as below:

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

11.	194J - Fee for professional or technical services	30,000/-	50,000/-
12.	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
13.	206C(1G) – Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-

**(iii) Encouraging voluntary compliance**

**1. Extending the time-limit to file the updated return:**

- It is proposed to extend the time-limit to file the updated return from the existing 24 months to 48 months from the end of the relevant assessment year. The additional tax payable shall be 60% of the aggregate of tax and interest payable on additional income for filing updated return during the period of 24 months to 36 months from the end of relevant assessment year. Additional tax payable shall be 70% of the aggregate of tax and interest payable for filing updated return during the period of 36 months to 48 months from the end of relevant assessment year subject to certain conditions.

**2. Obligation to furnish information in respect of crypto-asset:**

- It is proposed to bring amendment in the Act to provide for that a prescribed reporting entity in respect of a crypto-asset shall furnish information in respect of a transaction in such crypto asset, in a statement as prescribed. It is also proposed to align the definition of virtual digital asset accordingly.

**3. Annual value of the self-occupied property simplified:**

- It is proposed to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason.

**(iv) Reducing compliance burden**

**1. Reduction in compliance burden by omission of TCS on sale of specified goods:**

- To reduce compliance burden of the taxpayers, it is proposed to no tax will be collected at source on sale of specified goods of value of more than fifty lakhs.

**2. Removal of higher TDS/TCS for non-filers of return of income:**

- To reduce compliance burden on the deductor/collector, it is proposed to omit section 206AB and section 206CCA of the Act.

**3. Definition of “forest produce” rationalized:**

- It is proposed to clarify the meaning of “forest produce” u/s 206C(1) of the Act to remove any ambiguity regarding definition of the same.
- It is also proposed that TCS be collected only on “any other forest produce which is obtained under a forest lease.”

**(v) Ease of doing business**

**1. Extension of time limit u/s 80-IAC for startups:**

- It is proposed to extend the benefit provided under Section 80-IAC to startups for another period of five years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

**2. Parity in rates of long term capital gain on transfer of securities by non-resident:**

- It is proposed to bring parity between the taxation of capital gains on transfer of capital assets between residents and non-residents being Foreign Institutional investors, on their income by way of long-term capital gains on transfer of securities.

**3. Simplification of tax provisions for charitable trusts/institutions:**

- It is proposed to increase the period of validity of registration of trust or institution from 5 years to 10 years for smaller trusts or institutions.

- It is proposed to rationalize the definition of specified violation for cancellation of registration of trust or institution so as to not apply the same for minor default such as in-complete applications.
- It is also proposed to rationalize the definition of persons making substantial contribution to a trust or institution for denial of exemption.

#### **4. Rationalization in taxation of business trusts:**

- It is proposed to provide that the total income of a business trust which is charged to tax at the maximum marginal rate, shall be subject to the provisions of section 112A of the Act as well, as it is subject to provisions of section 111A and section 112 of the Act.

#### **5. Harmonization of Significant Economic Presence applicability with business connection:**

- It is proposed to provide that significant economic presence of a non-resident in India shall not include the transactions or activities which are confined to the purchase of goods in India for the purpose of export.

#### **6. Bringing clarity in income on redemption of Unit Linked Insurance Policy:**

- It is proposed to clarify that the profit and gains from the redemption of unit linked insurance policies to which exemption under section 10(10D) does not apply, shall be charged to tax as capital gains.

#### **7. Amendment of definition of 'capital asset':**

- In order to bring clarity on the chargeability of income arising out of transfer of capital asset being securities held by an investment fund as referred to in section 115UB of the Act, the definition of capital asset is proposed to be amended.

#### **8. Rationalization of transfer pricing provisions for carrying out multi-year arm's length price determination**

- It is proposed to provide that the transfer pricing provisions for arm's length price determination in relation to similar transactions shall now be applicable for a period of 3 years.

**9. Exemption from prosecution for delayed payment of TCS:**

- It is proposed to provide for exemption from prosecution to a person who has failed to pay tax collected at source (TCS) to the credit of the Central Government, if such payment is made at any time on or before the time prescribed for filing the quarterly TCS statement.

**10. Amendment of definition of 'capital asset':**

- In order to bring clarity on the chargeability of income arising out of transfer of capital asset being securities held by an investment fund as referred to in section 115UB of the Act, the definition of capital asset is proposed to be amended.

**(vi) Employment and Investment****1. Incentives to IFSC**

- It is proposed that the sunset dates related to IFSC units for exemptions, deductions and relocation in various sections shall be extended to 31st March, 2030.
- It is proposed to exempt the proceeds received on life insurance policy issued by IFSC insurance intermediary office without the condition on maximum premium amount.
- It is proposed to extend the exemption in section 10(4H) to capital gains for non-resident or a unit of IFSC on transfer of equity shares of a ship leasing domestic company.
- It is proposed to extend the exemption in section 10(34B) to dividend paid by a ship leasing company in IFSC to a unit of IFSC engaged in ship leasing.
- It is proposed that any advance or loan between two group entities, where one of the group entities is set up in IFSC for undertaking treasury activities or treasury services, shall be excluded from dividend.
- It is proposed to provide a simplified safe harbor regime for investment funds managed by fund manager based in IFSC. It is further proposed to extend the relaxation of conditions for IFSC units till 31st March, 2030.
- It is proposed to provide exemption to any income accruing or arising to or received by a non-resident as a result of transfer of non-



deliverable forward contracts entered into with any Foreign Portfolio Investor, being a unit in an International Financial Services Centre, which fulfills prescribed conditions.

- It is proposed that transfer of a share or unit or interest held by a shareholder in an original fund (being a retail scheme or exchange traded fund regulated under IFSCA Regulations 2022) in consideration for the share or unit or interest in a resultant fund in a relocation, shall not be regarded as transfer for the purpose of calculating capital gains.

**2. Extension of date of making investment by Sovereign Wealth Funds, Pension Funds and others:**

- It is proposed that in the case of person specified under section 10(23FE) the date of making investment shall be extended from 31st day of March, 2025 to 31st day of March, 2030.
- It is further proposed that in the case of such specified person exemption shall be available to long-term capital gains under said section, even if such capital gains are deemed as short-term capital gains under section 50AA.

**3. Scheme of presumptive taxation extended for non-resident providing services for electronics manufacturing facility:**

- It is proposed to provide a presumptive taxation regime for non-residents, engaged in the business of establishing or operating electronics manufacturing facility or a connected facility for manufacturing or production of electronic goods, article or thing in India.

**4. Extension of Tonnage Tax Scheme to Inland vessels:**

- It is proposed that the benefits of existing tonnage tax scheme to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote Inland Water Transportation in the country.

**5. Deduction u/s 80CCD for contributions made to the NPS Vatsalya:**

- It is proposed to extend the tax benefits available to the National Pension Scheme (NPS) under sub-section (1B) of section 80CCD of the Income-tax Act, 1961 to the contributions made to the NPS Vatsalya accounts, as applicable.

**(vii) Other miscellaneous amendments****1. Exemption from withdrawals from National Savings Scheme (NSS):**

- It is proposed to provide exemption to the withdrawals made from National Savings Scheme (NSS) on or after the 29th day of August, 2024, for any amount deposited under the scheme and the interest accrued thereon in respect of which a deduction has been allowed.

**2. Increase in the limits on the income of the employees for the purpose of calculating perquisites:**

- The provisions of Section 17 are proposed to be amended so that the power to prescribe rules may be obtained to increase these limits.

**3. Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI)**

- It is proposed to extend the exemption of SUUTI created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, to 31st March, 2027.

**4. Non applicability of Section 271AAB of the Act:**

- It is proposed that provisions of the aforesaid section shall not be applicable to a case where search has been initiated under section 132 on or after the 1<sup>st</sup> day of September, 2024.

**5. Certain penalties to be imposed by the Assessing Officer:**

- It is proposed to amend various sections related to penalty to provide that penalties under these sections shall be levied by the Assessing Officer, subject to the provisions of the Act relating to prior approval of Joint Commissioner of Income-tax.

**6. Removing date restrictions on framing the schemes in certain cases:**

- It is proposed that the end date prescribed for notifying faceless schemes under certain sections may be omitted so as to provide that

Central Government may issue directions beyond the cut-off date of 31<sup>st</sup> day of March, 2025.

**7. Extending the processing period of Application seeking immunity from penalty and prosecution:**

- It is proposed that Assessing Officer shall pass an order accepting or rejecting the application requesting immunity from penalty and prosecution, within a period of three months from the end of the month in which such application is received.

**8. Increasing time limit available to pass order under section 115VP:**

- It is proposed to amend section 115VP to provide that the order, accepting or rejecting, assessee's option to opt for tonnage tax scheme shall be passed before the expiry of three months from the end of the quarter in which such application was received.

**9. Excluding the period such as court stay etc. for calculating time limit to pass an order:**

- It is proposed to exclude certain time period such as period of stay on proceedings by any court order, etc. from the time limit to pass an order deeming a person to be an assessee in default with respect of failure to collect TCS.

**10. Time limit to impose penalties rationalized:**

- It is proposed that any order imposing a penalty 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.

**11. Clarification regarding commencement date and the end date of the period stayed by the Court:**

- It is proposed to amend the relevant sections of the Act to clarify the commencement date and the end date of the period stayed by an order or injunction of any court.

**12. Time limit for retention of seized books of account or other documents rationalized:**

- It is proposed make amendments to provide that retention of seized books of account or other documents shall be one month from the end of the quarter in which the assessment or reassessment or recomputation order has been made.

**13. Rationalisation of provisions related to carry forward of losses in case of amalgamation**

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

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

- It is proposed to add the term “virtual digital asset” to the said definition of undisclosed income of the block period. The time-limit for completion of block assessment is proposed to be made as twelve months from end of the quarter in which the last of the authorisations for search or requisition has been executed.