India Budget -2025-26 |Key Highlights

S.C.SHARADA
& ASSOCIATES
COMPANY SECRETARIES

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| Foreword |

Hon’ble Finance Minister kicked off the Budget session quoting Telugu poet stating ‘A country is not just its soil; a country is its people.’ Staying true to the theme of the current budget “Sabka Vikas”, our FM provided a much needed reprieve to the growing middle class by way of much awaited tax cuts. We are also hopeful that the revamped new Income Tax Code which she promised to release in a week’s time will be equally transformative.
There has been an honest attempt to make it a balanced budget keeping in mind the challenges both internal & external without compromising on reforms aimed at stimulating economic growth and yet providing relief to various sectors.

The tax sops to salaried class was a master stroke which served a dual purpose of heeding to long standing expectation of tax relief by salaried class and which will hopefully be ploughed back into the economy and thereby drive consumption, investment, and economic growth.

The Government through this budget has continued its commitment towards capital expenditure of INR 11 Trillion which along with targeted initiatives in sectors like power, Insurance, agriculture, EV Manufacturing, electronics and MSMEs, will put India on to a path of consistent growth and economic stability inline with the road map set for “Viksit Bharat”

| India Macro View |

Figures in ₹ lakh crores.

Overview	**FY23**	**FY24**	**FY25 [E]**	**FY26 [E]**
India's total Expenditure	42	44	47	51
India's total Revenue Receipts	25	27	31	34
India's Fiscal Deficit	17	17	16	16
Deficit as a % of GDP	6.40%	5.60%	4.80%	4.4%

Macros	**FY23**	**FY24**	**FY25 [E]**	**FY26 [E]**
GDP Growth %	7.00%	8.20%	6.40%	6.3 ~ 6.8%
India's Forex Reserves (USD Billions)	$ 578B	$ 646B	$636	-
India's CPI Inflation %	6.70%	5.40%	4.90%	4% ~ 4.6%
India's Govt. Capital Exp (₹ in lakh crore)	5.90	7.30	10.18	11.00

Sectoral Growth Rate	**FY23**	**FY24**	**FY25 [E]**
Industrial Production Growth	5.20%	5.90%	6.20%
Services Growth	10.00%	7.60%	7.20%
Agriculture & allied	4.00%	1.40%	3.80%

DIRECT TAXES

Tax Bonanza for salaried class. FM hands over up to 1 Lac to boost spending

Revised Tax Slabs (new regime) :

0–4 lac: Nil | 4–8 lac: 5% | 8–12 lac: 10% | 12–16 lac: 15%

16–20 lac: 20% | 20–24 lac: 25% | > 24 Lac: 30%

01 A New Dawn for Middle-Class Taxpayers

The Union Budget 2025 marks a transformative chapter reflecting the government's unwavering commitment to fostering inclusive growth and empowering the middle class. At its core, this budget reimagines personal taxation as a tool for economic democratization, ensuring that every citizen—from salaried professionals to senior citizens—retains greater control over their hard-earned income while contributing to the nation's journey toward a *Viksit Bharat*.

The most striking reform is the revamped tax slabs under the new tax regime, designed to leave more disposable income in the hands of individuals. **Taxpayers earning up to ₹12 lakh annually will now pay zero income tax**, a monumental leap from previous thresholds. For salaried individuals, this exemption effectively rises to ₹12.75 lakh with the retention of the ₹75,000 standard deduction . The revised slabs are structured progressively:

This restructuring is projected to **benefit over 1 crore taxpayers**, freeing them from tax liability and catalyzing household savings and consumption

OTHER CHANGES

02 Relief for house owners

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 for any 2 house properties, without any restrictions / conditions. *(Currently some conditions need to be fulfilled)*

03 Perquisite Taxation

It is proposed to increase salary thresholds for calculating perquisites. (Current limit Rs. 50,000). More employees will become eligible for tax-free perquisites.

04 TDS on Rental Income

TDS threshold for rental income will be raised from ₹2.4 lakh per year to ₹6 lakh per year.The proposed change is expected to simplify compliances and reduce the tax burden on small-scale landlords while maintaining tax efficiency.

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Other Significant proposals.

- There are no changes proposed in corporate tax rates. The tax rate for corporates whose turnover is less than INR 400 crores in FY 2023- 24 is 25%. In all other cases, the rate is 30%.
- It is proposed to omit TCS applying to sale of goods. This is considering representations received which highlighted the challenges that sellers face in verifying whether buyers have deducted TDS on purchase of goods, which may result in both TDS and TCS applying to the same transaction.
- It is proposed to increase the threshold for applying TCS on remittances abroad under the Liberalised Remittance Scheme and overseas tour programme package, from the extant INR 7 lakh to INR 10 lakh. Additionally, it is proposed that the TCS provisions would not apply if the overseas remittance is made for educational purpose from a loan borrowed (as specified).
- It is proposed to remove the higher TDS rates for non-tax return filing deductees or collectees. Currently Tax deductor was required to deduct TDS at 20%.
- Presently, failure to deposit TCS to the Central Government within the stipulated time can lead to rigorous imprisonment for a term ranging from a minimum of 3 months to a maximum of 7 years, with hefty fines. FM has proposed to decriminalise such failure provided conditions are fulfilled.
- Presently, a 100% tax deduction is provided on profits for eligible start-ups for 3 consecutive years out of the first 10 years of incorporation, subject to certain conditions. One of the conditions was that the start-up should be incorporated before April 1, 2025. This period is now extended to April 1, 2030.
- it is proposed to disallow carrying forward and setting off business losses beyond 8 years from the year the loss was first computed for the original predecessor entity. Currently the amalgamated company would get fresh 8 years to carry forward and setoff the losses belonging to amalgamating company.
- Currently an updated return is permitted to be filed up to 36 months from the end of the concerned FY. On account of positive response FM has proposed to extend the time line to 60 months with additional conditions.

INDIRECT TAXES (GST)

01 Retrospective change "Plant Or Machinery"

Hon'ble Supreme Court's judgement in the Safari Retreats case, which had differentiated and distinguished the two phrases – 'plant and machinery' Vs "plant or machinery' and held that a building can also be considered to be a 'plant' depending upon the functionality test.

The term "plant or machinery" is proposed to be amended to "Plant and Machinery" retrospectively w.e.f 01.07.2017, thus restricting ITC on goods or services used for construction of any immovable property on own account of the taxpayer, except for 'plant and machinery'

02 More Compliance Burden on Credit Notes

Credit Notes are a regular part of an active business which allows reduction of Output GST in case of Sales Returns.

Its proposed to cast an obligation the supplier to ensure that the recipient has indeed reversed the Input credit on account of such credit note. The said proposal introduces a precondition that the reduction in the outward tax liability of the supplier on account of credit notes will only be permitted if the registered recipient has reversed the corresponding ITC (if availed). Tax payers may be required to keep additional documentation to substantiate their claims.

OTHER CHANGES

03 Input Service Distributor

Definition of ISD is amended to include an office of the supplier that receives invoices relating to inter-State supplies liable to tax under reverse charge. Hitherto, only intra-State supplies were included

04 Track & Trace

Proposal to introduce a track and trace mechanism for supply of specified evasion-prone commodities (yet to be notified), wherein a unique mark would be affixed on the goods / packages, which includes a digital stamp/mark.

05 Security Deposit

It is proposed to mandate a 10% pre-deposit for penalty-only appeals before the First Appellate Authority . Hitherto, no such pre deposit was required except for orders relating to detention or seizure of goods or conveyances.

Other Significant proposals.

Customs

- A time-limit of 2 years has been proposed, to complete the final assessments of BOEs assessed provisionally (subject to exceptions cited below), with a further extension of 1 year by the Commissioner of Customs, if sufficient cause is shown.

- It is proposed to introduce a mechanism for post-clearance revision of import/export entries. Importers/exporters shall be allowed to revise an entry in a prescribed manner and self-assess the duty accordingly. Revision in entries shall not be permitted in cases where (a) an audit, search, seizure, or summons has been initiated; (b) a refund is sought where reassessment / assessment was already done.

- The Customs & Central Excise Settlement Commission, established to expedite the resolution of disputed customs and excise duties, will cease operations from April 1, 2025 and will be replaced by an 'Interim Board'.

FEMA

- Provisions have been introduced for share swaps and deferred payments in FDI transactions without any prior approval from RBI , offering more options for foreign-owned companies. However, such provisions are restricted for companies from land-bordering countries like China and Hong Kong .

- Exporters are now permitted to open foreign currency accounts with overseas banks, simplifying the management of export proceeds and remittances.

FDI

- Foreign Direct Investment ('FDI') in Insurance sector increased from 74 to 100 per cent. This would bring in fresh FDI, diverse products and enhance the insurance sector reach.

S.C.SHARADA & ASSOCIATES
COMPANY SECRETARIES

#405, 7th Cross, IV Block, Koramangala,
Bangalore - 560 034
ph: 080 2553 4374
info@sharadasc.com

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