

# VAID ICS LUCKNOW

## Key Highlights of Union Budget 2025-26

### Budget Theme:

- Realizing 'Sabka Vikas' with balanced regional growth.
- Vision of Viksit Bharat includes:
  - Zero poverty, quality education, and comprehensive healthcare.
  - 70% women in economic activities.
  - India as the global food basket.

### Four Development Engines:

1. **Agriculture**
2. **MSME**
3. **Investment**
4. **Exports**

### Six Transformative Reforms:

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

## **Agriculture: The First Engine of Growth:**

- **PM Dhan-Dhaanya Krishi Yojana:** Boosts productivity, crop diversification, and credit access in 100 districts.
- **Rural Prosperity Programme:** Skilling and investments to curb rural migration.
- **Mission for Aatmanirbharta in Pulses:** Focus on Tur, Urad, and Masoor with procurement by NAFED and NCCF.
- **Vegetables & Fruits Programme:** Promotes production, efficient supply chains, and FPO participation.
- **Makhana Board:** To enhance production and marketing in Bihar.
- **National Mission on High Yielding Seeds:** Climate-resilient and pest-resistant seeds for 100+ varieties.
- **Marine Sector Development:** Sustainable fishing in EEZ and high seas with focus on islands.
- **Mission for Cotton Productivity:** Science-backed productivity improvements for high-quality cotton.
- **Enhanced Kisan Credit Card Limit:** Raised from ₹3 lakh to ₹5 lakh.

## **MSMEs: The Second Engine of Growth:**

- **Revised MSME Criteria:** Investment and turnover limits increased to 2.5x and 2x respectively.
- **Enhanced Credit Access:**
  - Rs 10 crore credit guarantee for Micro and Small Enterprises.
  - Rs 20 crore for Startups and Exporter MSMEs.
- **Customized Credit Cards:** ₹5 lakh limit for micro enterprises.
- **Support for Women and Marginalized Entrepreneurs:** Loans up to ₹2 crore under a new scheme.
- **National Manufacturing Mission:** Policy support for clean tech manufacturing like EV batteries and solar PV cells.
- **Focus Product Scheme for Footwear & Leather:** Generates 22 lakh jobs and promotes exports worth ₹1.1 lakh crore.
- **Toy Manufacturing Hub:** Promotes innovative and sustainable toys under the Made in India brand.
- **National Institute for Food Technology in Bihar:** Boosts food processing in the Eastern region.

### Other Key Initiatives:

- **India Post Transformation:** Acts as a logistics catalyst for rural and MSME economies.
- **Atmanirbharta in Urea Production:** New plant in Assam with a capacity of 12.7 lakh metric tons.
- **Fund of Funds Expansion:** ₹10,000 crore for startups under AIFs.

This budget reinforces inclusive growth, agricultural productivity, MSME empowerment, and sustainable development to realize the vision of Viksit Bharat.

## Investment as the Third Engine

### Investing in People:

- **Saksham Anganwadi and Poshan 2.0 Program:** Nutritional support for 8 crore children, 1 crore pregnant women, and 20 lakh adolescent girls.
- **Atal Tinkering Labs:** 50,000 labs in govt. schools to foster innovation.
- **Broadband Connectivity:** To all secondary schools and primary health centres under Bharatnet.
- **Bharatiya Bhasha Pustak Scheme:** Digital Indian language books for education.
- **National Centres of Excellence for Skilling:** 5 centres to upskill youth in “Make for India” manufacturing.
- **IIT Expansion:** 100% increase in student intake, additional infrastructure in IITs.
- **AI for Education:** INR 500 crore allocated for AI Centre of Excellence.
- **Medical Education Expansion:** 1.1 lakh new UG/PG medical seats added, 10,000 additional seats next year.
- **Socio-Economic Upliftment of Urban Workers:** PM SVANidhi scheme revamped for enhanced loans, identity cards for gig workers.

### Investing in Economy:

- **PPP Mode Infrastructure Projects:** 3-year pipeline for projects in PPP mode with states’ support.

- **Interest-Free Loans to States:** INR 1.5 lakh crore for capital expenditure.
- **Asset Monetization Plan:** INR 10 lakh crore capital recycling for new projects.
- **Jal Jeevan Mission:** 100% rural tap water connections by 2028.
- **Urban Challenge Fund:** INR 1 lakh crore for urban reforms and projects.
- **Electricity Distribution Reforms:** Incentivising reforms in electricity distribution and transmission.
- **Nuclear Energy Development:** 100 GW nuclear energy target by 2047, with SMR development.
- **Shipbuilding Sector Reforms:** Shipbuilding clusters and financial assistance.
- **UDAN Scheme:** Regional connectivity to 120 new destinations, supporting 4 crore passengers.
- **Maritime Development Fund:** INR 25,000 crore for maritime industry financing.
- **SWAMIH Fund 2:** INR 15,000 crore for affordable housing.
- **Tourism Development:** 50 top tourist destinations developed in partnership with states.

#### **Investing in Innovation:**

- **R&D and Innovation:** INR 20,000 crore for private sector-driven initiatives.
- **Deep Tech Fund of Funds:** Catalyzing next-gen startups.
- **PM Research Fellowship Scheme:** 10,000 fellowships in IITs and IISc.
- **Gene Bank for Food Security:** 2nd Gene Bank with 10 lakh germplasm lines.
- **National Geospatial Mission:** Modernising land records and urban planning with PM Gati Shakti.
- **Gyan Bharatam Mission:** Survey and conservation of 1 crore Indian manuscripts for knowledge sharing.

## Exports as the Fourth Engine

### *Export Promotion Mission:*

- **Export Promotion Mission:** Joint initiative by Ministries of Commerce, MSME, and Finance with sectoral targets to facilitate export credit, cross-border factoring, and support MSMEs in overcoming non-tariff barriers.

### *Digital Trade Infrastructure:*

- **BharatTradeNet (BTN):** Unified platform for trade documentation and financing, aligned with international practices and complementing the Unified Logistics Interface Platform.

### *Global Supply Chain Integration:*

- **Domestic Manufacturing Support:** Strengthening sectors for integration into global supply chains, including Industry 4.0 opportunities.
- **Global Capability Centres in Tier 2 Cities:** Framework for promoting centres in emerging cities, focusing on talent, infrastructure, and collaboration.

### *Infrastructure Upgradation:*

- **Air Cargo Infrastructure:** Upgrading warehousing and infrastructure for high-value perishable goods, with streamlined customs and cargo protocols.

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

#### *Tax and FDI Reforms:*

- **Tax Department Commitment:** Focus on trust-based scrutiny approach.
- **New Income-Tax Bill:** Introduction next week.
- **FDI in Insurance:** Raised from 74% to 100% for companies investing entirely in India.

### *Financial Sector Reforms:*

- **India Post Payment Bank Expansion:** Deepening rural reach.
- **NaBFID's Partial Credit Enhancement:** For corporate bonds in infrastructure.
- **Grameen Credit Score Framework:** For rural SHG members.

### *Regulatory Reforms:*

- **Regulatory Coordination Forum:** For pension product development.
- **Central KYC Registry:** Revamped and rolled out in 2025 with streamlined updates.
- **Corporate Mergers Process:** Simplified and fast-tracked.

### *Investment and Regulatory Updates:*

- **Bilateral Investment Treaties:** Revamping for more investor-friendly conditions.
- **Light-Touch Regulatory Framework:** Updating outdated regulations to boost productivity and employment.

### **High-Level Committee and State Initiatives:**

- **High-Level Committee for Regulatory Reforms:** Review of non-financial sector regulations with recommendations in a year.
- **Investment Friendliness Index of States:** Launched in 2025 for competitive federalism.
- **Financial Stability and Development Council:** Evaluating and enhancing financial sector regulations.

### *Decriminalization of Laws*

- **Jan Vishwas Bill 2.0:** Decriminalizing over 100 legal provisions in various laws.

## Fiscal Policy

### Fiscal Deficit and Debt Management:

- **Fiscal Deficit Goal:** Maintain fiscal deficit in a manner that ensures Central Government debt remains on a declining path as a percentage of GDP.
- **Revised Estimates:** Total receipts (excluding borrowings) at INR 31.47 lakh crore; tax receipts at INR 25.57 lakh crore. Total expenditure at INR 47.16 lakh crore, with capital expenditure at INR 10.18 lakh crore. Fiscal deficit at 4.8% of GDP.
- **2025-26 Estimates:** Receipts at INR 34.96 lakh crore; expenditure at INR 50.65 lakh crore. Fiscal deficit estimated at 4.4% of GDP.
- **Financing Fiscal Deficit:** Net market borrowings of INR 11.54 lakh crore, with gross market borrowings estimated at INR 14.82 lakh crore.

### Indirect Taxes:

#### *Rationalisation of Customs Tariff:*

- **Tariff Rate Reduction:** Removal of seven tariff rates, leaving only eight remaining.
- **Cess Application:** Appropriate cess to maintain effective duty incidence, with a limit of one cess or surcharge.

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

- **Lifesaving Drugs:** 36 lifesaving drugs exempted from Basic Customs Duty (BCD); six more with concessional duty.
- **Patient Assistance Programmes:** 37 medicines added to BCD exemption list.

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

- **Exemptions on Critical Minerals:** Full BCD exemption on cobalt powder, lithium-ion battery scrap, and other critical minerals.
- **Technical Textiles:** Exempted shuttle-less looms for agro-textiles, medical textiles, and geo textiles.
- **Rectifying Inverted Duty Structure:** BCD on Interactive Flat Panel Displays increased to 20%, while Open Cell components reduced to 5%.

- **Capital Goods for EV & Mobile Battery Manufacturing:** 35 capital goods for EV batteries and 28 for mobile phone batteries exempted from BCD.
- **Shipbuilding and Shipbreaking:** Extension of BCD exemption for raw materials in shipbuilding for another 10 years.

#### ***Export Promotion:***

- **Handicrafts Export:** Time period for export extended from six months to one year, with a possible 3-month extension.
- **Leather Export Facilitation:** BCD exemption on Wet Blue leather and reduced export duty on crust leather.
- **Seafood Export:** Reduction of BCD on Frozen Fish Paste and fish hydrolysate to enhance global competitiveness.

#### ***Trade Facilitation:***

- **Provisional Assessment Time Limit:** Proposal for a two-year limit (extendable by a year) for finalising provisional assessments.
- **Voluntary Compliance:** Importers/exporters can declare material facts and pay duties with interest, without penalty, to incentivise voluntary compliance.
- **Import Flexibility:** Time limit for end-use of imported inputs extended from six months to one year; quarterly statement filing instead of monthly.

## **Income Tax Changes -**

### ***Tax Exemption for Incomes up to ₹12 Lakh***

- **No Tax for Incomes up to ₹12 Lakh:** Individuals earning up to Rs12 lakh annually (Rs 12.75 lakh for salaried taxpayers with basic deduction) will not pay any income tax.
- **Simplified Tax Slabs:** The tax slabs for 2025 are as follows:
  - Rs 0-4 lakh: **Nil**
  - Rs 4-8 lakh: **5%**
  - Rs 8-12 lakh: **10%**
  - Rs 12-16 lakh: **15%**
  - Rs 16-20 lakh: **20%**



- Rs 20-24 lakh: **25%**
- Above Rs24 lakh: **30%**

### **Impact on Consumption and Investments:**

- **Boost to Disposable Income:** With tax exemptions, households, particularly those aged 25-40, will have more disposable income, likely boosting both **consumption** and **investments** (SIPs in mutual funds).
- **Financial Impact:** Younger age groups may drive higher spending, benefiting FMCG sectors, while individuals 30 and above may focus on **financial planning** and long-term investments.

### **Mutual Fund Investment Made Easier:**

- **CKYC Norm Changes:** These changes will simplify the mutual fund investment process, attracting more investors.

### **Expert Views:**

- **Middle-Class Relief:** Experts like Feroze Azeez and Puneet Singhania note that increased disposable income will likely stabilize markets and benefit sectors such as **banking, consumer goods, and mutual funds**.
- **Limited Market Impact:** Former Finance Minister Yashwant Sinha believes that the tax relief will benefit only a limited section of the population, with minimal impact on markets.

### **Simplified Taxation and Transparency:**

- **New Income Tax Bill:** Finance Minister Nirmala Sitharaman revealed plans to introduce a new **Income Tax Bill** which will simplify the tax structure and make it more transparent, with clear and direct wording.