Vajiram & Ravi

# Union Budget 2025-26: Key Features, Growth Engines, and Reforms

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## Union Budget 2025-26 Latest News

- The Finance Minister presented the Union Budget 2025-26 with the **theme "Sabka Vikas"** stimulating balanced growth of all regions.

## About Union Budget

- **Article 112 of the Constitution** requires the government to present to Parliament a statement of estimated receipts and expenditure in respect of every financial year, from April 1 to March 31.
- This statement is called the annual financial statement.
- It is divided into three parts – **Consolidated Fund, Contingency Fund and Public Account**.
- For each of these funds, the government has to present a statement of receipts and expenditure.

## Key features of the Union Budget 2025-26

- Quoting Telugu poet Shri Gurajada Appa Rao's famous saying, 'A country is not just its soil; a country is its people.' – the FM presented the Union Budget.
- In line with the theme of this year's budget, the FM outlined the broad Principles of Viksit Bharat.

### Six key principles of Viksit Bharat as outlined in the Union Budget 2025-26

- Zero poverty
- Quality education for all
- Affordable, high-quality healthcare
- Skilled workforce with meaningful employment
- 70% women participation in economic activities
- Farmers making India the 'food basket of the world'

### Prioritized Section under the Union Budget 2025-26

- The Budget prioritizes the **poor (Garib), youth, farmers (Annadata), and women (Nari).**
- It does so while aiming to boost growth, attract private investment, uplift households, and empower the middle class.

### Key reform areas as outlined in the Union Budget 2025-26

- Key reform areas include **Taxation, Power, Urban Development, Mining, Financial Sector, and Regulations** to enhance India's **global competitiveness**.

### Engines in the journey to Viksit Bharat

- Agriculture, MSMEs, Investment, and Exports are identified as **growth engines**, with reforms as the driving force and inclusivity as the guiding principle.

## Growth engines as highlighted in Union Budget 2025-26

- Agriculture, MSMEs, Investment, and Exports are identified as growth engines in the Union Budget 2025-26.

## 1st Engine: Agriculture

- **Prime Minister Dhan-Dhaanya Krishi Yojana**
  - Launched in partnership with states, covering **100 districts**.
  - Aims to **increase productivity, promote crop diversification, enhance storage, improve irrigation, and provide credit access**.
- **Rural Prosperity and Resilience Programme**
  - Multi-sectoral initiative with states to **tackle underemployment in agriculture**.
  - Focus on **skilling, investment, technology**, and boosting the rural economy.
  - Benefits rural women, young farmers, rural youth, small & marginal farmers, and landless families.
- **Mission for Aatmanirbharta in Pulses (6 Years)**
  - Special focus on **Tur, Urad, and Masoor** pulses.
  - **NAFED & NCCF** to procure these pulses from farmers for the next **4 years**.
- **Key Agricultural Initiatives**
  - Comprehensive Programme for Vegetables & Fruits.
  - National Mission on High Yielding Seeds.
  - Five-yearMission for Cotton Productivity.
- **Increased Loan Limits for Farmers**
  - Kisan Credit Card loan limit raised from ₹3 lakh to ₹5 lakh under a modified interest subvention scheme.

## 2nd Engine: MSMEs

- **Strengthening MSMEs for Growth**
  - MSMEs contribute **45% of India's exports** and are key to economic development.
  - Investment and turnover limits for MSME classification increased to **2.5 times and 2 times**, respectively.
  - Enhanced credit availability with expanded guarantee cover announced.
- **Support for Women, SC/ST Entrepreneurs**
  - New scheme for 5 lakh first-time entrepreneurs from **women, Scheduled Castes, and Scheduled Tribes**.
  - Provides **term loans up to ₹2 crore** over the next **5 years**.
- **Boosting Manufacturing and 'Made in India'**
  - Scheme to make India a **global hub for toys** under the **'Made in India'** initiative.
  - Launch of a **National Manufacturing Mission** to support **small, medium, and large industries**, reinforcing **'Make in India'**.

## 3rd Engine: Investment

- **Investment in People**
  - **50,000 Atal Tinkering Labs** to be set up in government schools over the next **5 years**.

    - **Broadband connectivity** for all government secondary schools and primary health centres in rural areas under Bharatnet.
    - **Bharatiya Bhasha Pustak Scheme** to provide digital-form Indian language books for school and higher education.
    - **Five National Centres of Excellence for Skilling** with global partnerships for **“**Make for India, Make for the World” manufacturing.
    - **Centre of Excellence in AI for Education** with an outlay of ₹500 crore.
    - **Gig workers** to receive identity cards, e-Shram portal registration, and healthcare under PM Jan Arogya Yojana.
- **Investment in Economy**
    - **Infrastructure ministries** to create a 3-year PPP project pipeline.
    - **₹1.5 lakh crore** allocated for 50-year interest-free loans to states for capital expenditure and reforms.
    - **Second Asset Monetization Plan (2025-30)** to reinvest ₹10 lakh crore into new projects.
    - **Jal Jeevan Mission extended till 2028** with focus on quality, operations, and maintenance through Jan Bhagidhari.
    - **Urban Challenge Fund of ₹1 lakh crore** for initiatives like **‘**Cities as Growth Hubs’, ‘Creative Redevelopment of Cities’, and ‘Water & Sanitation’.
- **Investment in Innovation**
    - **₹20,000 crore** allocated for a private sector-driven Research, Development, and Innovation initiative.
    - **National Geospatial Mission** to develop geospatial infrastructure and data for urban planning.
    - **Gyan Bharatam Mission** for survey, documentation, and conservation of 1 crore+ manuscripts.
    - **National Digital Repository of Indian Knowledge Systems** proposed for knowledge sharing.

## 4th Engine: Exports

- **Export Promotion & Digital Infrastructure**
    - **Export Promotion Mission** to help MSMEs tap into global markets, jointly driven by Commerce, MSME, and Finance Ministries.
    - **‘BharatTradeNet’ (BTN)** proposed as a unified digital public infrastructure for trade documentation and financing solutions.
- **Boosting Domestic Manufacturing & Industry 4.0**
    - Government to develop domestic manufacturing capacities for better integration with global supply chains.
    - Support for domestic electronic equipment industry to leverage Industry 4.0 opportunities.
    - **National Framework** proposed for **Global Capability Centres (GCCs)** in emerging Tier-2 cities.
- **Infrastructure & Warehousing Support**
    - Government to **upgrade infrastructure and warehousing** for **air cargo**, with special focus on **high-value perishable horticulture produce**.

# Budget 2025-26: Reforms as the Fuel of growth

- Over the past 10 years, the government has implemented key taxpayer-friendly reforms, including:
    - Faceless assessment; Taxpayers' charter; Faster refunds
    - 99% returns on self-assessment
    - Vivad se Vishwas scheme for dispute resolution
- Reaffirming commitment to **"Trust First, Scrutinize Later"**, the Finance Minister emphasized **continued tax reforms** to enhance convenience for taxpayers.

## Financial Sector Reforms and Development as outlined in Union Budget 2025-26

- The Union Budget 2025-26 introduced key reforms to improve compliance, attract investments, and build a strong regulatory environment:
    - **FDI Limit in Insurance**: Raised from 74% to 100% for companies investing the entire premium in India.
    - **Light-Touch Regulatory Framework**: Focus on trust-based governance to boost productivity and employment.

### Key Measures for a Modern Regulatory System

- **High-Level Committee for Regulatory Reforms**
    - Review non-financial sector regulations, licenses, and permissions.
    - Strengthen trust-based governance and ease of compliance.
    - Provide recommendations within one year.
- **Investment Friendliness Index of States**
    - Launched in 2025 to promote competitive cooperative federalism.
- **Financial Stability and Development Council (FSDC) Mechanism**
    - Assess impact of financial regulations.
    - Enhance financial sector responsiveness and development.
- **Jan Vishwas Bill 2.0**
    - Decriminalize 100+ provisions in various laws to improve ease of doing business.

## Union Budget 2025-26: Fiscal Consolidation

- The **Union Budget 2025-26** reaffirms the Government's commitment to **fiscal discipline** by ensuring that the **fiscal deficit remains on a declining trajectory** and Central Government debt stays sustainable.

### Fiscal Deficit Targets

- Revised Estimate (RE) 2024-25: 4.8% of GDP
- Budget Estimate (BE) 2025-26: 4.4% of GDP

### Revised Estimates (2024-25)

- Total Receipts (excluding borrowings): ₹31.47 lakh crore
- Net Tax Receipts: ₹25.57 lakh crore
- Total Expenditure: ₹47.16 lakh crore
- Capital Expenditure: ₹10.18 lakh crore

### Budget Estimates (2025-26)

- Total Receipts (excluding borrowings): ₹34.96 lakh crore
- Net Tax Receipts: ₹28.37 lakh crore
- Total Expenditure: ₹50.65 lakh crore

## Other highlights of the Union Budget 2025-26

- Reposing faith on middle class in nation building, the Union Budget 2025-26 proposes new direct tax slabs and rates under the new income tax regime.
- **Middle-Class Tax Relief & Personal Income Tax Reforms**
    - **No Income Tax** on total income up to **₹12 lakh per annum** under the new tax regime.
    - Salaried individuals earning up to **₹12.75 lakh per annum** will pay **NIL tax** after a **₹75,000 standard deduction**.
    - Estimated revenue loss of **₹1 lakh crore** due to new tax structure.
- **TDS/TCS Rationalization:**
    - Senior citizens’ tax deduction limit on interest **doubled** from ₹50,000 to ₹1 lakh.
    - **TDS threshold on rent** raised from ₹2.4 lakh to ₹6 lakh per annum.
    - **TCS collection threshold** increased to ₹10 lakh.
    - **Delay in TCS payments decriminalized** (following TDS decriminalization).
- **Compliance Ease & Incentives:**
    - **Updated return filing period extended** from 2 years to 4 years.
    - Registration period for **small charitable trusts** increased from 5 to 10 years.
    - **Annual value of two self-occupied properties** can be **claimed as NIL** without conditions.
    - **National Savings Scheme withdrawals (post-Aug 29, 2024) & NPS Vatsalya accounts** exempted from tax.
- **Ease of Doing Business & Investment Promotion**
    - **New Scheme for International Transactions:** Arm’s length pricing for a **block period of 3 years** to ensure tax certainty.
    - **Presumptive Taxation for Non-Residents**: Applicable to those offering services to electronics manufacturing companies in India.
- **Tonnage Tax Benefits Extended** to **inland vessels**.
    - **Startup Incentives**: Incorporation period extended by 5 years.
    - **Infrastructure Investment Boost**: Sovereign Wealth and Pension Fund investment deadline **extended to March 31, 2030**.
- **Customs Reforms & Trade Promotion**
    - **Industrial Tariff Rationalization:**

        - Removal of **seven tariffs** and introduction of a single cess/surcharge per category.
    - **Healthcare & Essential Medicines:**
        - 36 life-saving drugs for cancer, rare, and chronic diseases fully exempted from **Basic Customs Duty (BCD)**.
        - 37 more medicines & 13 Patient Assistance Program drugs also exempted.
- **Boost for Domestic Manufacturing:**
    - **25 critical minerals** (cobalt powder, lithium-ion battery waste, lead, zinc, etc.) fully exempted from BCD.
- **Textile Sector Support:**
    - Two more shuttle-less looms fully exempted.
    - BCD on knitted fabrics increased to 20% or ₹115/kg (whichever is higher).
- **Electronics & Make in India:**
    - BCD on Interactive Flat Panel Displays (IFPDs) raised to 20%.
    - BCD on Open Cells reduced to 5**%**; parts of Open Cells fully exempted.
    - **Lithium-ion battery manufacturing**: 35 capital goods for EVs & 28 for mobile batteries added to exemption list.
- **Shipbuilding Industry:** BCD exemption on raw materials extended for **10 more years**.
- **Export Promotion Measures**
    - Handicrafts exports facilitated with BCD exemptions.
- **Leather Industry Support:** BCD fully exempted on Wet Blue leather to boost value addition and employment.
- **Fisheries Export Support:**
    - BCD on **Frozen Fish Paste reduced from 30% to 5%**.
    - BCD on **Fish Hydrolysate for shrimp/fish feeds reduced from 15% to 5%**.

## Vision for Viksit Bharat

- Finance Minister **Nirmala Sitharaman** highlighted **Democracy, Demography, and Demand** as key pillars of India’s growth.
- The **new tax regime aims to boost consumption, savings, and investment** by putting more money into the hands of the **middle class**, strengthening India’s economic trajectory.

### Union Budget 2025-26 FAQs

**Q1.** In which house is the Union Budget presented?

**Ans.** The Union Budget is presented in the Lok Sabha.

**Q2.** On which day is the Union Budget presented?

**Ans.** The Union Budget is presented on February 1 since 2017.

**Q3.** Who presents the Union Budget in Parliament?

**Ans.** The Union Budget is presented by the Union Finance Minister.

**Q4.** Who presented the first-ever budget in India?

**Ans**. India's first Union Budget was presented on April 7, 1860, by James Wilson, the finance member of the Indian Council and the founder of The Economist newspaper.

**Q5**. Which is the first paperless budget in India?

**Ans.** On 1 February 2021, Finance Minister Nirmala Sitharaman presented the first paperless budget. She took a digital tablet wrapped in a tradition 'bahi-khata' style pouch.

**Source:** PIB | India Budget

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