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TODAY'S ANALYSIS

(03 February 2025)

TOPICS TO BE COVERED

- UNION BUDGET 2025-26



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UNION BUDGET 2025-26



On 1 Feb 2025, Union Minister for Finance and Corporate Affairs Smt Nirmala Sitharaman presented the Union Budget 2025-26 in Parliament.

WHO PREPARES IT?

The national budget is prepared by the budget division under the Department of Economic Affairs (DEA), the Ministry of Finance and is presented to the Parliament for discussion and approval.

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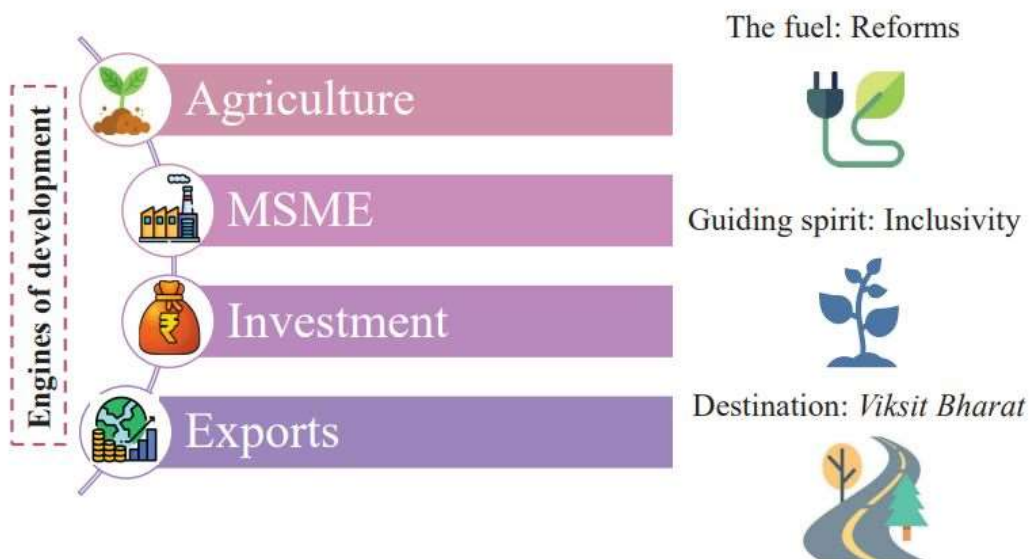
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Provision	Key points
Article 112	<ul style="list-style-type: none"> The President shall, every financial year, cause to lay an annual financial statement before both Houses of Parliament, a statement of the estimated receipts and expenditure of the Government of India for that year.
Article 113	<ul style="list-style-type: none"> No demand for a grant shall be made except on the recommendation of the President.
Article 114	<ul style="list-style-type: none"> No amount can be withdrawn from the Consolidated Fund of India(CFI) without authorization from the Parliament.
Article 266	<ul style="list-style-type: none"> All revenues received by the government shall be credited to the "Consolidated Fund of India". All other public money, such as provident fund, Postal insurance, etc, shall be credited to the Public Account of India.
Article 267	<ul style="list-style-type: none"> Parliament may by law establish a Contingency Fund of India to meet unexpected or unforeseen expenditures.

ENGINES OF DEVELOPMENT

Journey of Development



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CORE OBJECTIVES OF THE BUDGET

- The budget focuses on 5 key objectives:
 - **Accelerating Growth:** Aiming for faster economic progress.
 - **Securing Inclusive Development:** Ensuring that growth benefits all sections of society.
 - **Invigorating Private Sector Investments:** Boosting investment from the private sector to create jobs and increase economic output.
 - **Uplifting Household Sentiments:** Enhancing the financial confidence and well-being of households.
 - **Enhancing Spending Power of India's Middle Class:** Increasing the disposable income of the growing middle class in India.

BUDGET THEME

- **India's Growth Story**
 - **India's economy is the fastest-growing among major global economies,** and structural reforms over the past decade have positioned the country as a rising global power. **The focus for the next five years is on realizing "Sabka Vikas" (development for all) with balanced growth across regions.**

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- **The Vision of "Viksit Bharat"**

- The vision for a developed India includes:
 - **Zero Poverty:** Eradicating poverty for all citizens.
 - **Quality Education:** Providing 100% access to good education for every child.
 - **Affordable Healthcare:** Ensuring access to high-quality healthcare for all.
 - **Skilled Workforce:** Ensuring every Indian is skilled and employed.
 - **Women's Economic Participation:** Aiming for 70% women in the workforce.
 - **Agriculture:** Positioning India as the "food basket of the world" through better support for farmers.

KEY DEVELOPMENT MEASURES

- The budget outlines measures targeting ten areas of development:
 - **Spurring Agricultural Growth and Productivity:** Boosting farm productivity and sustainability.
 - **Building Rural Prosperity and Resilience:** Ensuring rural areas thrive economically.
 - **Inclusive Growth:** Ensuring no one is left behind as the country grows.

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- **Boosting Manufacturing and "Make in India":** Focusing on self-reliance and strengthening India's manufacturing sector.
- **Supporting MSMEs:** Strengthening small and medium-sized enterprises to drive growth.
- **Employment-led Development:** Creating more jobs through strategic economic policies.
- **Investing in People, Economy, and Innovation:** Fostering innovation and talent development to drive future growth.
- **Securing Energy Supplies:** Ensuring sustainable and secure energy sources.
- **Promoting Exports:** Expanding India's reach in global markets.
- **Nurturing Innovation:** Focusing on research, innovation, and technology for the future.

TRANSFORMATIVE REFORMS

- Over the next five years, reforms will focus on six crucial areas to enhance India's growth and global competitiveness:
 - **Taxation:** Streamlining tax policies for ease of doing business.

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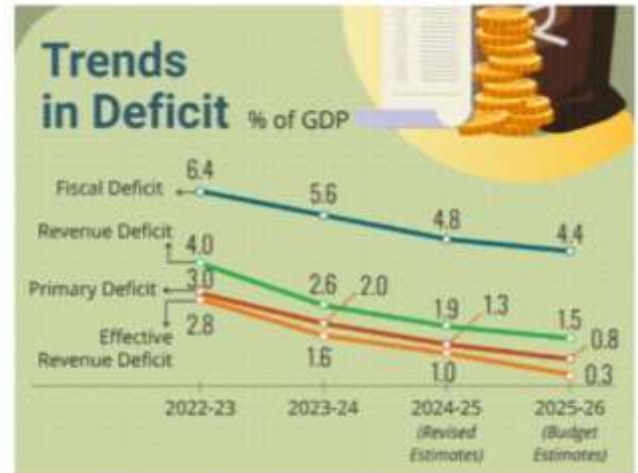
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- **Power Sector:** Modernizing energy production and consumption.
- **Urban Development:** Improving urban infrastructure and development.
- **Mining:** Strengthening the mining sector for sustainable growth.
- **Financial Sector:** Reforming financial systems to support economic development.
- **Regulatory Reforms:** Simplifying regulations for a more business-friendly environment.

KEY INDICATORS

Item	Amount (₹ lakh crore)
Total Receipts (excluding borrowings)	34.96
Total Expenditure	50.65
Net Tax Receipts	28.37
Fiscal Deficit	4.4% of GDP
Gross Market Borrowings	14.82
Capex Expenditure	11.21 (3.1% of GDP)

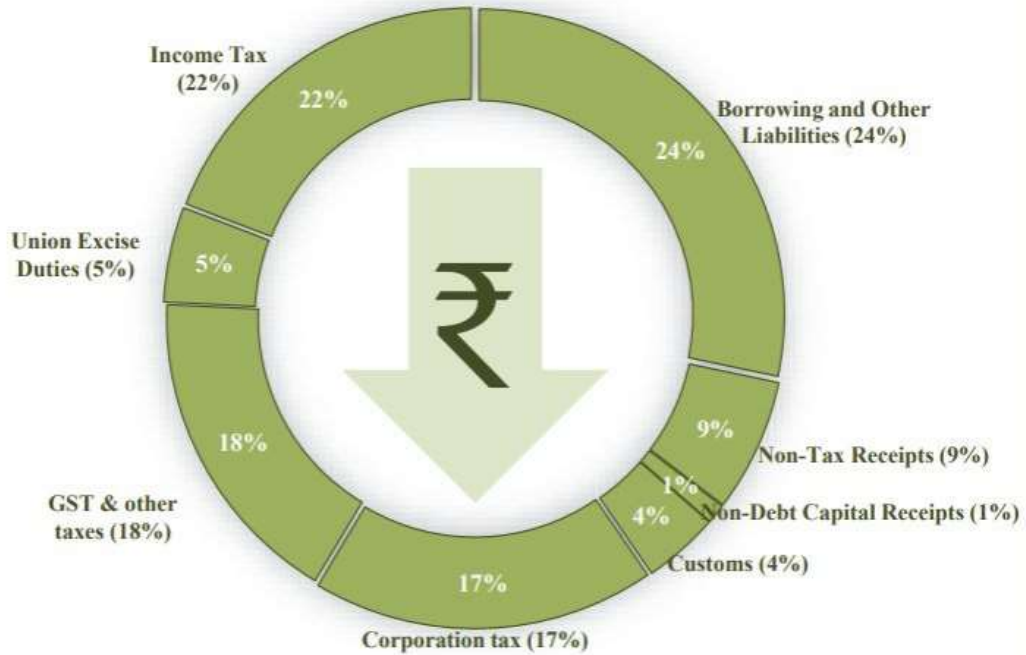


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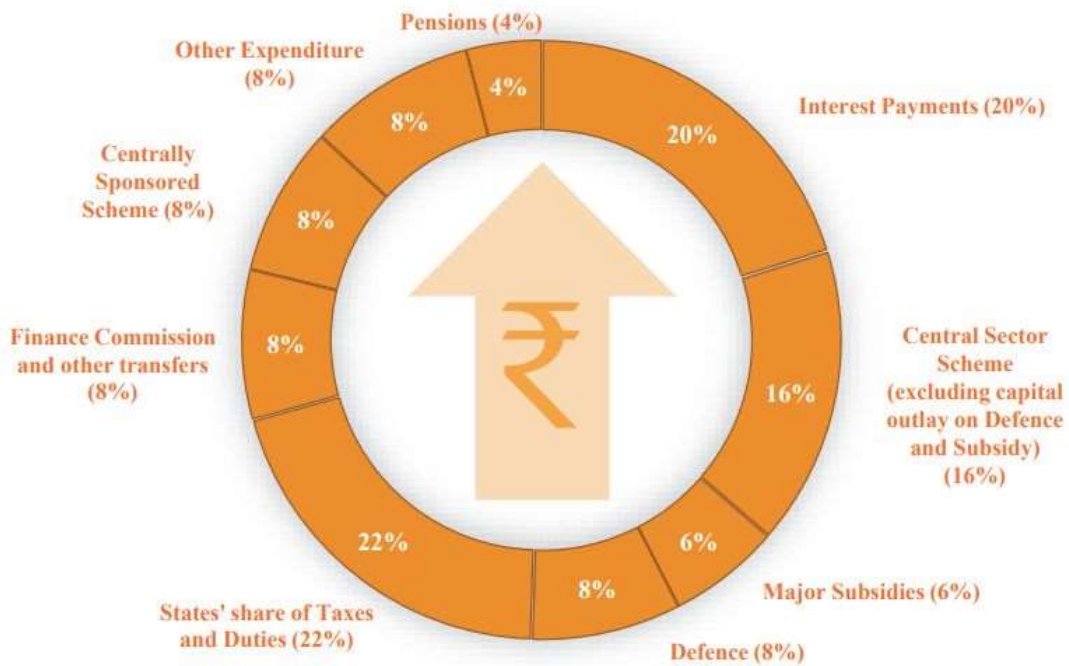
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Rupee Comes From



Rupee Goes To



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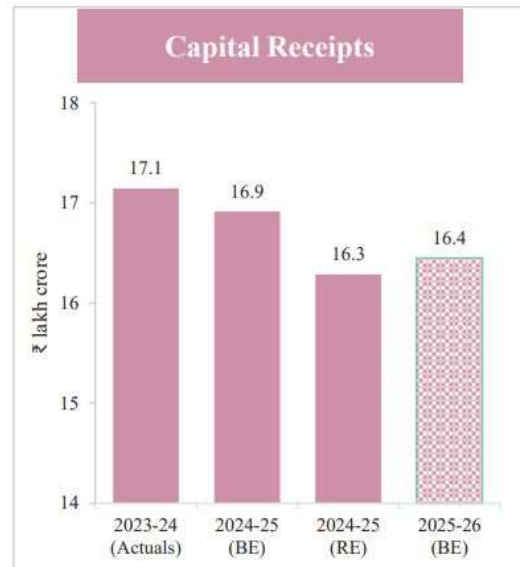
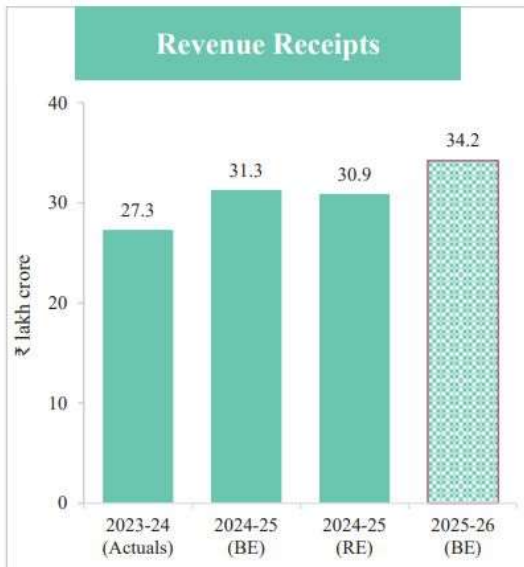
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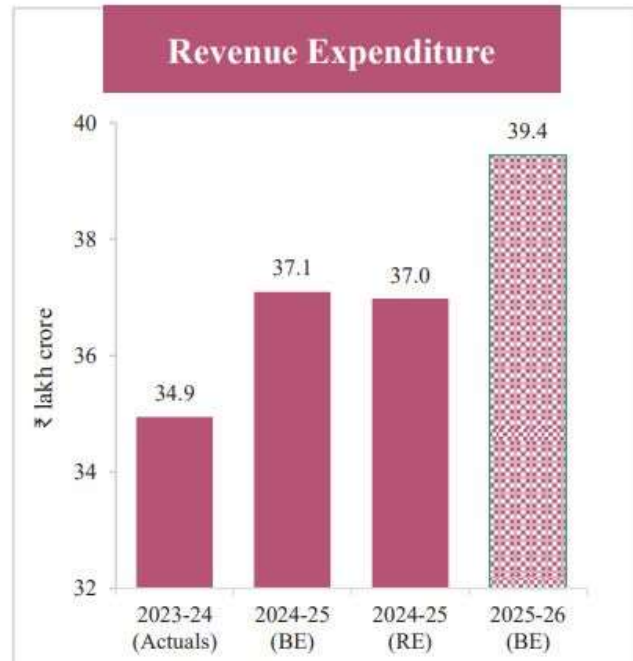
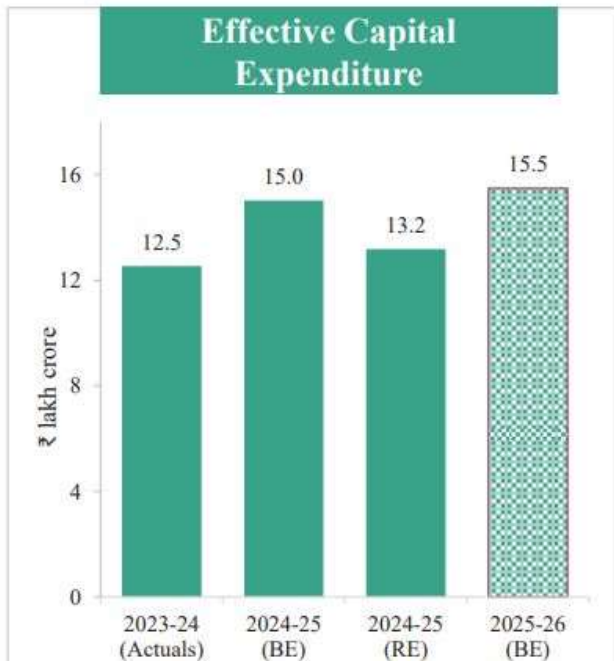
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Receipts



Expenditure



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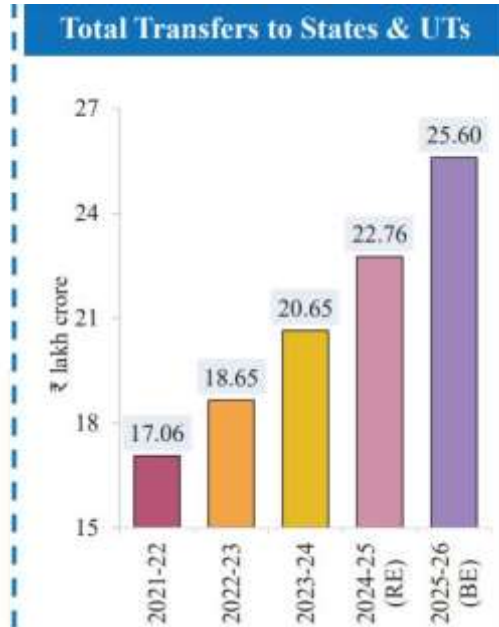
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TRANSFERS TO STATES



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PARTS OF THE BUDGET

PART – A

Introduction

Budget Theme

Agriculture as the 1st engine

MSMEs as the 2nd engine

Investment as the 3rd engine

- A. Investing in People
- B. Investing in the Economy
- C. Investing in Innovation

Exports as the 4th engine

Reforms as the Fuel

Fiscal Policy



AGRICULTURE AS FIRST ENGINE OF GROWTH

Initiative	Key Points
Prime Minister Dhan-Dhaanya Krishi Yojana	Developing 100 districts with low productivity, covering 1.7 crore farmers.
Building Rural Prosperity and Resilience	Multi-sectoral programme to address under-employment in agriculture, covering 100 developing agri-districts.
Aatmanirbharta in Pulses	6-year mission focusing on Tur, Urad, and Masoor. NAFED and NCCF to procure these pulses from farmers for the next 4 years.
Comprehensive Programme for Vegetables & Fruits	Promote production, efficient supplies, processing, and remunerative prices.
Makhana Board in Bihar	Improve production, processing, value addition, and marketing of makhana.

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Initiative	Key Points
National Mission on High Yielding Seeds	Strengthen research ecosystem, target high yield seeds, aiming for commercial availability of more than 100 seed varieties .
Fisheries	Sustainable harnessing of fisheries, focus on Andaman & Nicobar and Lakshadweep Islands.
Mission for Cotton Productivity	5-year mission to improve productivity and sustainability of cotton farming, promoting extra-long staple cotton varieties.
Enhanced Credit through KCC	Loan limit increased from ₹ 3 lakh to ₹ 5 lakh.
Urea Plant in Assam	Annual capacity of 12.7 lakh metric tons at Namrup, Assam.

MSME AS SECOND ENGINE OF DEVELOPMENT

Initiative	Key Points																								
Revision in Classification Criteria for MSMEs	Investment and turnover limits were enhanced to 2.5 and 2 times respectively . <table border="1"> <thead> <tr> <th rowspan="2">₹ in Crore</th> <th colspan="2">Investment</th> <th colspan="2">Turnover</th> </tr> <tr> <th>Current</th> <th>Revised</th> <th>Current</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>Micro Enterprises</td> <td>1</td> <td>2.5</td> <td>5</td> <td>10</td> </tr> <tr> <td>Small Enterprises</td> <td>10</td> <td>25</td> <td>50</td> <td>100</td> </tr> <tr> <td>Medium Enterprises</td> <td>50</td> <td>125</td> <td>250</td> <td>500</td> </tr> </tbody> </table>	₹ in Crore	Investment		Turnover		Current	Revised	Current	Revised	Micro Enterprises	1	2.5	5	10	Small Enterprises	10	25	50	100	Medium Enterprises	50	125	250	500
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Micro Enterprises	1	2.5	5	10																					
Small Enterprises	10	25	50	100																					
Medium Enterprises	50	125	250	500																					
Credit Cards for Micro Enterprises	₹ 5 lakh limit for micro enterprises, 10 lakh cards in the first year.																								
Fund of Funds for Startups	Expanded scope with a fresh contribution of ₹ 10,000 crore.																								

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Initiative	Key Points
Scheme for First-time Entrepreneurs	5 lakh women, SC, ST first-time entrepreneurs , loans up to ₹ 2 crore in the next 5 years.
Focus Product Scheme for Footwear & Leather Sectors	Enhance productivity, quality, and competitiveness, facilitating employment for 22 lakh persons, generating turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore.
Measures for the Toy Sector	Create high-quality, unique, innovative, and sustainable toys.
Support for Food Processing	National Institute of Food Technology, Entrepreneurship, and Management in Bihar.
Manufacturing Mission - Furthering "Make in India"	National Manufacturing Mission covering small, medium, and large industries.

INVESTING IN PEOPLE (3RD ENGINE)

Initiative	Key Points
Saksham Anganwadi and Poshan 2.0	Enhance cost norms for nutritional support.
Atal Tinkering Labs	50,000 labs in Government schools in the next 5 years.
Broadband Connectivity	To Government secondary schools and PHCs under Bharatnet project.
Bharatiya Bhasha Pustak Scheme	Digital-form Indian language books for school and higher education.
National Centres of Excellence for Skilling	5 centres with global expertise for "Make for India, Make for the World" manufacturing.
Expansion of Capacity in IITs	Additional infrastructure for 6,500 more students in 5 IITs.

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Initiative	Key Points
Centre of Excellence in AI for Education	Outlay of ₹ 500 crore.
Expansion of Medical Education	10,000 additional seats in medical colleges next year, adding to 75,000 seats in the next 5 years.
Day Care Cancer Centres	In all district hospitals, 200 Centres in 2025-26.
Strengthening Urban Livelihoods	Scheme for socio-economic upliftment of urban workers.
PM SVANidhi	Enhanced loans, UPI-linked credit cards with ₹ 30,000 limit.
Social Security Scheme for Online Platform Workers	Identity cards, e-Shram registration, healthcare under PM Jan Arogya Yojna.

INVESTING IN THE ECONOMY (3RD PILLAR)

Initiative	Key Points
Public Private Partnership in Infrastructure	3-year pipeline of projects in PPP mode, states encouraged.
Support to States for Infrastructure	₹ 1.5 lakh crore for 50-year interest-free loans to states for capital expenditure and incentives for reforms.
Asset Monetization Plan 2025-30	Plough back capital of ₹ 10 lakh crore in new projects.
Jal Jeevan Mission	Extended until 2028 with enhanced total outlay.
Urban Challenge Fund	₹ 1 lakh crore for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities', and 'Water and Sanitation'. Allocation of ₹ 10,000 crore proposed for 2025-26.

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Initiative	Key Points
Nuclear Energy Mission for Viksit Bharat	Amendments to Atomic Energy Act and the Civil Liability for Nuclear Damage Act. Research & development of Small Modular Reactors (SMR) with an outlay of ₹ 20,000 crore. 5 indigenously developed SMRs to be operational by 2033.
Shipbuilding	Revamped Shipbuilding Financial Assistance Policy. Large ships above a specified size to be included in the infrastructure harmonized master list (HML).
Maritime Development Fund	Corpus of ₹ 25,000 crore, up to 49% Government contribution, balance from ports and private sector.
UDAN - Regional Connectivity Scheme	Enhance connectivity to 120 new destinations, carry 4 crore passengers in the next 10 years. Support helipads and smaller airports in hilly, aspirational, and North East region districts.
Greenfield Airport in Bihar	New airports, expansion of Patna airport capacity, brownfield airport at Bihta.

Initiative	Key Points
Western Koshi Canal Project	Financial support for the Western Koshi Canal ERM Project in Bihar.
Mining Sector Reforms	Policy for recovery of critical minerals from tailings.
SWAMIH Fund 2	₹ 15,000 crore for completion of another 1 lakh dwelling units, with contribution from the Government, banks, and private investors.
Tourism for Employment-led Growth	Develop top 50 tourist destinations in partnership with states through a challenge mode.

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INVESTING IN INNOVATION (3RD PILLAR)

Initiative	Key Points
Research, Development and Innovation	₹ 20,000 crore to be allocated to implement private sector-driven Research, Development, and Innovation initiatives.
Deep Tech Fund of Funds	To catalyze the next generation startups.
PM Research Fellowship	10,000 fellowships for technological research in IITs and IISc with enhanced financial support.
Gene Bank for Crops Germplasm	2nd Gene Bank with 10 lakh germplasm lines for future food and nutritional security.
National Geospatial Mission	Develop foundational geospatial infrastructure and data.
Gyan Bharatam Mission	Survey, document, and conserve manuscript heritage with academic institutions, museums, libraries, and private collectors. Cover more than 1 crore manuscripts.

EXPORTS AS THE FOURTH ENGINE OF DEVELOPMENT

Initiative	Key Points
Export Promotion Mission	Mission with sectoral and ministerial targets, driven jointly by the Ministries of Commerce, MSME, and Finance.
Bharat TradeNet	'Bharat TradeNet' (BTN) for international trade to be set up as a unified platform for trade documentation and financing solutions.
National Framework for GCC	A national framework to be formulated as guidance to states for promoting Global Capability Centres in emerging tier 2 cities.

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REFORMS AS FUEL

Initiative	Key Points
FDI in Insurance Sector	FDI limit for the insurance sector to be raised from 74% to 100% for companies investing the entire premium in India.
Credit Enhancement Facility by NaBFID	NaBFID to set up a ' Partial Credit Enhancement Facility ' for corporate bonds for infrastructure.
Grameen Credit Score	Public Sector Banks to develop ' Grameen Credit Score ' framework to serve the credit needs of SHG members and people in rural areas.
Pension Sector	A forum for regulatory coordination and development of pension products to be set up.

Initiative	Key Points
High Level Committee for Regulatory Reforms	A High-Level Committee for Regulatory Reforms to be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions.
Investment Friendliness Index of States	An Investment Friendliness Index of States to be launched in 2025 to further the spirit of competitive cooperative federalism.
Jan Vishwas Bill 2.0	The Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws.

PART B: TAXATION REFORMS

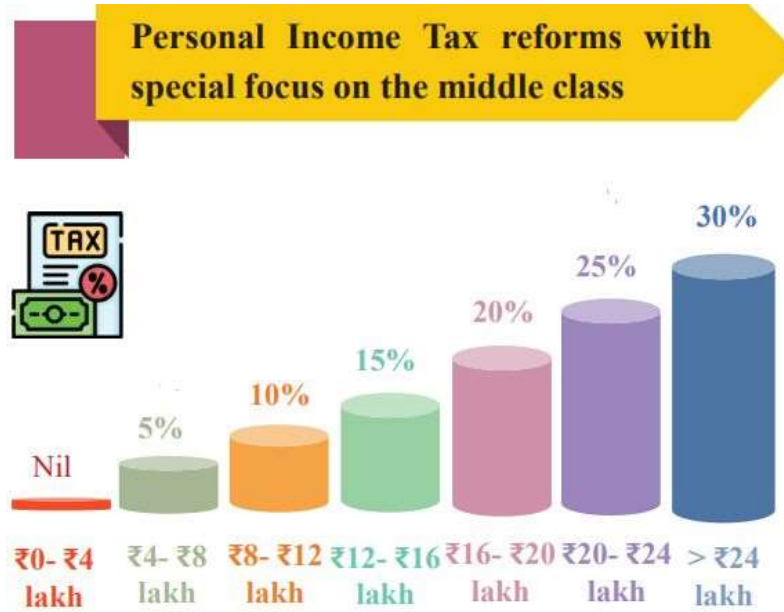
- **No Personal Income Tax:** Up to income of ₹ 12 lakh (average income of ₹ 1 lakh per month other than special rate income such as capital gains) under the new regime.
- **Salaried Taxpayers:** This limit will be ₹ 12.75 lakh for salaried taxpayers, due to a standard deduction of ₹ 75,000.
- **Benefits:** The new structure will substantially reduce the taxes of the middle class, leaving more money in their hands, boosting household consumption, savings, and investment.

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- **New Income-Tax Bill:** To be clear and direct, making it simple to understand for taxpayers and tax administration, leading to tax certainty and reduced litigation.



- **Revenue Forgone:** About ₹ 1 lakh crore in direct taxes.

TDS/TCS RATIONALISATION

Initiative	Key Points
TDS Rationalization	Reduction in the number of rates and thresholds above which TDS is deducted.
TDS Limit for Senior Citizens	Doubled from ₹ 50,000 to ₹ 1 lakh for interest.
TDS Limit on Rent	Increased from ₹ 2.40 lakh to ₹ 6 lakh annually.
TCS Threshold for LRS	Increased from ₹ 7 lakh to ₹ 10 lakh.
Higher TDS Deduction	Applies only in non-PAN cases.
Decriminalization	For cases of delay in payment of TCS up to the due date of filing statement.

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REDUCING COMPLIANCE BURDEN

Initiative	Key Points
Charitable Trusts/Institutions	Increased registration period from 5 years to 10 years for small charitable trusts/institutions.
Self-Occupied Properties	Benefit of claiming the annual value of self-occupied properties as nil extended for two such properties without any condition.

EASE OF DOING BUSINESS

Initiative	Key Points
Arm's Length Price Scheme	Introduction of a scheme for determining arm's length price of international transactions for a block period of three years.
Safe Harbour Rules	Expansion of the scope to reduce litigation and provide certainty in international taxation.
National Savings Scheme (NSS)	Exemption of withdrawals made from NSS by individuals on or after 29th August 2024.
NPS Vatsalya Accounts	Similar treatment to NPS Vatsalya accounts as is available to normal NPS accounts, subject to overall limits.

EMPLOYMENT AND INVESTMENT

Initiative	Key Points
Tax Certainty for Electronics Manufacturing	Presumptive taxation regime for non-residents providing services to resident companies establishing or operating electronics manufacturing facilities.
Safe Harbour for Tax Certainty	Introduction of a safe harbour for non-residents storing components for supply to specified electronics manufacturing units.

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RATIONALISATION OF CUSTOMS TARIFF STRUCTURE FOR INDUSTRIALISATION GOODS

Initiative	Key Points
Removal of Tariff Rates	Removal of seven tariff rates, in addition to the seven removed in the 2023-24 budget, leaving only eight remaining tariff rates including 'zero' rate.
Application of Cess	Appropriate cess to maintain effective duty incidence, with marginal reduction for a few items.
Levy of Cess/Surcharge	Levy of not more than one cess or surcharge. Social Welfare Surcharge on 82 tariff lines that are subject to a cess, exempted.
Revenue Forgone	About ₹ 2,600 crore in indirect taxes.

RELIEF ON IMPORT OF DRUGS

Initiative	Key Points
Exemption from BCD	36 lifesaving drugs and medicines fully exempted from Basic Customs Duty (BCD).
Concessional Customs Duty	6 lifesaving medicines to attract concessional customs duty of 5%.
Patient Assistance Programmes	Specified drugs and medicines under Patient Assistance Programmes run by pharmaceutical companies fully exempted from BCD; 37 more medicines added along with 13 new patient assistance programmes.

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SUPPORT TO DOMESTIC MANUFACTURING & VALUE ADDITION

Sector	Initiative	Key Points
Critical Minerals	Exemption from BCD	Cobalt powder and waste, scrap of lithium-ion battery, Lead, Zinc, and 12 more critical minerals fully exempted from BCD.
Textiles	Exemption for Textile Machinery	2 more types of shuttle-less looms fully exempted.
	Revised BCD Rate on Knitted Fabrics	Revised from "10% or 20%" to "20% or ₹ 115 per kg, whichever is higher."
Shipping Sector	Extended Exemption of BCD	Exemption of BCD on raw materials, components, consumables, or parts for the manufacture of ships extended for another ten years. Same dispensation to continue for shipbreaking.

Sector	Initiative	Key Points
Electronic Goods	Increased BCD on IFPD	Increased from 10% to 20%.
	Reduced BCD on Components	Reduced to 5% on Open Cell and other components.
	Exemption on Parts of Open Cells	Fully exempted from BCD.
Lithium-Ion Battery	Exemption for Capital Goods	35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery manufacturing exempted.
Telecommunication	Reduced BCD on Ethernet Switches	Reduced from 20% to 10% on Carrier Grade ethernet switches.

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EXPORT PROMOTION

Sector	Initiative	Key Points
Handicraft Goods	Extended Time Period for Export	Extended from six months to one year, further extendable by another three months if required.
	Addition to Duty-Free Inputs List	Nine items added to the list of duty-free inputs.
Leather Sector	Exemption from BCD	Wet Blue leather fully exempted from BCD.
	Exemption from Export Duty	Crust leather exempted from 20% export duty.

Sector	Initiative	Key Points
Marine Products	Reduced BCD on Frozen Fish Paste	Reduced from 30% to 5% on Frozen Fish Paste (Surimi) for manufacture and export of its analogue products.
	Reduced BCD on Fish Hydrolysate	Reduced from 15% to 5% on fish hydrolysate for manufacture of fish and shrimp feeds.
Domestic MROs for Railway Goods	Benefits for Railways MROs	Railways MROs to benefit similar to aircraft and ships MROs in terms of import of repair items. Time limit extended for export of such items from 6 months to one year and made further extendable by one year.

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TRADE FACILITATION

Initiative	Key Points
Time Limit for Provisional Assessment	Time-limit of two years fixed for finalizing provisional assessment, extendable by a year.
Voluntary Compliance	New provision introduced to enable importers or exporters, after clearance of goods, to voluntarily declare material facts and pay duty with interest but without penalty.
Extended Time for End Use	Time limit for the end-use of imported inputs in the relevant rules extended from six months to one year. Such importers file only quarterly statements instead of monthly statements.

CONCLUSION

Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman said that **Democracy, Demography and Demand** are **key pillars of Viksit Bharat journey**. She said that the middle class gives strength of India's growth and the Government has periodically hiked the **'Nil tax' slab in recognition to their contribution**. She said the proposed new tax structure will **substantially boost consumption, savings and investment, by putting more money in the hands of the middle class**.

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