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# **YOJANA MAGAZINE ANALYSIS**

**(March 2025)**

**(Part 4/4)**

## **TOPICS TO BE COVERED**

### **PART 1/4**

- **FISCAL FEDERALISM IN INDIA**
- **ROADMAP FOR VIKSIT BHARAT @ 2047**

### **PART 2/4**

- **INVESTMENT AS AN ENGINE OF GROWTH**
- **AGRICULTURE: ENGINE FOR INDIA'S DEVELOPMENT**

### **PART 3/4**

- **GENDER BUDGETING: A ROADMAP TOWARDS INCLUSIVITY**
- **GREEN BUDGETING IN INDIA: A STEP TOWARDS**
- **SUSTAINABLE DEVELOPMENT**

### **PART 4/4**

- **BUDGET 2025-26: TOWARDS TAX REFORMS**
- **BUDGET 2025-26: CHARTING INDIA'S NEXT INFRASTRUCTURE FRONTIER**

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# BUDGET 2025-26: TOWARDS TAX REFORMS

## Introduction

- Modern tax administration is evolving to do more than just collect revenue; it aims to foster trust between taxpayers and the government.
- Moving from an enforcement-heavy approach to a compliance-friendly system reflects responsive governance, aligning with economic realities and taxpayer concerns.
- The **2025-26 Finance Bill** focuses on **reducing tax burdens**, promoting **investment**, and **simplifying processes** to create a fair and efficient tax system.

## AIM OF THE REFORMS

- Simplifying tax compliance and reducing administrative burdens.
- Rationalizing tax rates to boost disposable income and investment.
- Encouraging voluntary compliance over punitive enforcement.
- Enhancing digital tax administration for efficiency and dispute resolution.

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## RELIEF FOR THE MIDDLE CLASS

### Lower Taxes, Higher Disposable Income

**(i) Restructuring of Personal Income Tax Slabs:** A major highlight of the Budget is the restructuring of personal income tax slabs, which benefits the middle class.

Annual Income	Previous Tax Rate	New Tax Rate (2025-26)
Up to ₹5 lakh	0% (No Tax)	0% (No Tax)
₹5 lakh - ₹8 lakh	10%	5%
₹8 lakh - ₹12 lakh	15%	10%
Above ₹12 lakh	20%-30%	20%

## KEY BENEFITS

- **Higher disposable income:** More money in the hands of individuals, which leads to increased consumption and savings.
- **Boost to demand:** Increased household spending drives economic activity across sectors.
- **Simplified taxation:** Removal of unnecessary complexity in the multi-tiered tax system.

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## REMOVAL OF OUTDATED PROPERTY TAX RESTRICTIONS

- Previously, homeowners faced restrictions when claiming **nil annual value** for their second self-occupied house.
- The **2025-26 Budget** removes these restrictions, ensuring individuals are not unfairly penalized for owning multiple properties.

## KEY COMPLIANCE REFORMS

Measure	Previous Rule	New Reform (2025-26)	Impact
<b>ITR Filing Deadline Extension</b>	24 months to file updated returns	Extended to 48 months	More time for rectifications, reducing stress.
<b>Presumptive Taxation for NRIs</b>	No clear provision	Introduced for services related to electronic manufacturing	Greater tax clarity for foreign investors.
<b>TDS/TCS Rationalization</b>	Higher TDS/TCS rates for non-filers	Eliminates excessive deductions	Prevents disruption of business cash flows.
<b>Criminal Liability for TCS Delay</b>	TCS delays could lead to criminal prosecution	Now carries <b>monetary penalties</b> only	Encourages compliance without excessive fear.

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## BENEFITS OF COMPLIANCE REFORMS

- **Reduced litigation:** More clarity leads to fewer tax disputes.
- **Encouragement of voluntary compliance:** Taxpayers can rectify mistakes without facing severe penalties.
- **Smoother cash flow for businesses:** Less disruption due to tax deductions.

## KEY INVESTMENT SECTOR REFORMS

Sector	Reform Introduced	Expected Impact
<b>Startups</b>	Tax benefits extended for businesses incorporated until <b>April 1, 2030</b> .	Supports new ventures, drives innovation, and creates jobs.
<b>Shipping Industry</b>	New <b>Tonnage Tax Scheme</b> for Indian shipping companies.	Strengthens the maritime sector and promotes inland water transport.
<b>International Financial Services Centre (IFSC)</b>	Exemptions on <b>capital gains</b> and <b>dividends</b> for ship-leasing units.	Attracts global financial investors, enhancing India's role in global finance.

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## IMPACT

- **Strengthens MSMEs and startups**, leading to **job creation**.
- **Boosts India's global competitiveness** in **financial services** and **logistics**.
- **Attracts foreign investments**, supporting long-term economic growth.

## CONCLUSION

The **2025-26 Union Budget** lays the foundation for a **modern, transparent, and efficient** tax system that not only **reduces the tax burden** but also **encourages investment and economic growth**. The **simplification of tax compliance, rationalization of tax rates, and incentives for startups and industries** will drive India's economic growth and position it as a global leader in investment and innovation. The reforms aim to create a tax system that **fosters trust**, encourages voluntary compliance, and ensures fairness, all while addressing the concerns of taxpayers.

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# BUDGET 2025: CHARTING INDIA'S NEXT INFRASTRUCTURE FRONTLINE

## Introduction

- India's infrastructure development is shifting from merely catching up to setting global benchmarks.
- Over the past decade, the country has made significant strides in enhancing its transport, energy, and urban infrastructure.
- The **Union Budget 2025-26** and the **Economic Survey 2024-25** outline an ambitious path to achieving a \$30 trillion economy by 2047, with a key focus on **shipbuilding, urban development, and renewable energy**.
- This budget marks the beginning of a new phase in India's infrastructure modernization, aiming to boost economic growth and global competitiveness.

## 2014-2024 LEGACY: BUILDING BLOCKS OF PROGRESS

The past decade (2014-2024) has laid a strong foundation for India's future growth, driven by major improvements in infrastructure.

### (i) Expansion of Transport Infrastructure

- **National Highways:** Expanded from **91,287 km** (2014) to **146,145 km** (2024), a **60% increase**, which reduced logistical costs by **15%**.

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- **Rural Roads:** 3.74 lakh km of rural roads built under the **PMGSY**, linking **7.55 lakh** habitations, enhancing rural connectivity and economic opportunities.
- **Shipping and Ports:** India's global shipping ranking improved from **44th** to **22nd**, and port cargo-handling capacity doubled to **1,630 million tonnes (MT)**.
- **Metro Rail:** Expanded fourfold from **248 km** (2014) to **993 km** (2024), improving urban mobility and decongesting cities.

## (ii) Urban Infrastructure and Housing

- **Pradhan Mantri Awas Yojana (Urban):** Provided **1.18 crore houses** to low-income households, addressing urban housing shortages.
- **Smart Cities Mission:** Upgraded infrastructure in **100 cities**, improving urban sustainability and livability.

## (iii) Economic Growth via Capital Expenditure (CAPEX)

- **Infrastructure CAPEX** grew at a **38.8% CAGR** (FY20-FY24), playing a pivotal role in post-COVID-19 economic revival.

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## HOW REGULATORY REFORMS TRANSFORMED INDIA'S GROWTH STORY?

India's infrastructure boom was fueled not only by increased spending but also by **key policy and regulatory reforms**.

### (i) Real Estate and Construction Sector Reforms

- **RERA (2016)**: Increased transparency, protected homebuyers, and boosted investor confidence.
- **GST (2017)**: Simplified taxation, reduced logistics costs, and promoted supply chain efficiency.
- **Benami Transactions Act**: Curbed illegal transactions, promoting formalization in real estate.
- **Demonetization (2016)**: Increased digital transactions, improving financial transparency in real estate.

### (ii) Impact on Real Estate and Infrastructure

- Institutional investments in real estate reached record highs.

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- **REITs (Real Estate Investment Trusts)** created new avenues for investment.
- The **National Infrastructure Pipeline (NIP)** and **PM Gati Shakti** program generated multiplier effects, boosting infrastructure investment across tier-1 and tier-2 cities.

## **BUDGET 2025: ACCELERATING INTO THE FUTURE**

The **Union Budget 2025-26** builds on the achievements of the past decade, outlining major infrastructure investments to drive long-term economic expansion.

### **(i) Urban Transformation Initiatives**

- **Urban Challenge Fund: ₹1 lakh crore** allocated for financing **smart cities, water infrastructure, and transit-oriented development.**
- **Metro Rail Expansion:** A target of **1,500 km** of metro lines by 2030, adding **300 km per year.**
- **PMAY-U 2.0: ₹2.2 lakh crore** allocated to build **80 lakh** affordable houses.

### **(ii) Renewable Energy & Sustainability**

- A focus on **green hydrogen, battery storage, and energy-efficient urban planning.**
- Continued investments in **solar and wind energy** to maintain India's leadership in **renewables.**

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## BUDGET 2025: SHIPBUILDING TAKES CENTERSTAGE

### (i) Why Shipbuilding is Critical for India

India is a maritime-dependent economy, with **95%** of its trade (by volume) conducted via sea routes. However, India's shipping industry has significant challenges:

- **Limited Ship Ownership:** India owns only **1,526 ships (13.75M GT)** compared to **China's 12,800 ships**.
- **Negligible Shipbuilding Market Share:** India holds just **0.07%** of the global shipbuilding market, while **China controls 46.6%**.
- **High Foreign Freight Payments:** India spends **\$75 billion** annually on foreign freight, a figure expected to rise above **\$100 billion** soon.

### (ii) Budget 2025's Strategy to Boost Shipbuilding

- **Infrastructure Status for Shipbuilding:** Shipbuilding is now included in the **Harmonised Master List (HML)**, making it eligible for low-interest financing and tax incentives.
- **Maritime Development Fund:** **₹25,000 crore** allocated to support shipbuilding clusters, research, and technology development.

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- **Custom Duty Exemptions:** On ship components to reduce manufacturing costs.
- **Shipbreaking Credit Notes:** 40% of scrap value reimbursed to promote domestic recycling.
- **Employment Generation:**
  - 2.1 lakh direct and 14 lakh indirect jobs currently in shipbuilding.
  - **Target: 5 million jobs by 2030**, benefiting coastal states like **Gujarat, Kerala, Tamil Nadu, Andhra Pradesh, Odisha, West Bengal, Maharashtra, and Goa.**

**(iii) Legislative Reforms in the Maritime Sector** To complement the Budget initiatives, the **Winter Session 2024** introduced four key bills:

- **Coastal Shipping Bill, 2024:** Creates a comprehensive regulatory framework for coastal trade.
- **Merchant Shipping Bill, 2024:** Expands vessel ownership to **NRIs, OCIs**, and Indian companies.
- **Carriage of Goods by Sea Bill, 2024:** Streamlines legal responsibilities and dispute resolution.
- **Bills of Lading Bill, 2024:** Modernizes shipping documentation.

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These bills are expected to improve ease of doing business and elevate India's global maritime ranking.

Key Issue	Current Scenario	Budget 2025 Strategy	Expected Impact
Shipbuilding Market Share	0.07% (Rank 22nd)	Target to be in <b>Top 10 by 2030</b>	Boost manufacturing capabilities and global competitiveness.
Ship Ownership	1,526 ships	Expand fleet significantly	Reduce dependency on foreign freight and strengthen maritime self-reliance.
Freight Payment	\$75 billion/year	Reduce reliance on foreign freight	Save foreign exchange and reduce vulnerability.
Employment	2.1 lakh direct jobs	<b>5 million by 2030</b>	Boost coastal economies, creating millions of jobs.
Investment & Financing	Limited domestic funding	<b>₹25,000 crore fund</b>	Support shipyards, R&D, and infrastructure growth.

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