



STARLIGHT WEALTH LLP

## UNION BUDGET 2025 - HIGHLIGHTS

### Budget Focus

The focus of the budget is to accelerate growth through inclusive development and boosting middle-class Consumption with significant changes in Personal Income Tax regime.

### Broad Budget Areas – 4 Engines of Development

#### AGRICULTURE

A comprehensive multi-sectoral programme with states to address underemployment in agriculture through skilling, investment, technology, and invigorating the rural economy.

#### Micro, Small & Medium Enterprises (MSMEs)

The investment and turnover limits for classification of all MSMEs to be 2.5 and 2 times respectively. A new Fund of Funds, with expanded scope and a fresh contribution of ₹ 10,000 crore to be set up

#### INVESTMENT

Investing in People – Centres for skill development. Investing in Economy – public private partnership in infrastructure. Investing in Innovation – Rs. 20,000 Crore allocated to overall research, development & innovation.

#### EXPORT

An Export Promotion Mission, with sectoral and ministerial targets, driven jointly by the Ministries of Commerce, MSME, and Finance to be set up. BharatTradeNet (BTN) to be set-up for financing solutions.

### Fiscal Deficit

The revised estimate for the FY25 fiscal deficit is 4.8% of the GDP, and for the FY26 is 4.4% of GDP.

### Capital Expenditure – FY 25 revised capex at Rs.10.18 Lakh Crore and the FY26 estimate is Rs.10.60 Lakh crores.

1. Centre to give Rs. 1.5 Lakh Crore as 50-year interest free loans to States as part of Capex Plans.
2. Top 50 tourism development sites to be developed in partnership with states.
3. **Exports:** Govt. announces export promotion mission with sectoral targets.
4. Medical tourism & heal in India will be promoted along with the private sector including easier VISA norms.

### Direct Tax

1. No personal income tax payable Upto income of Rs 12 lakhs.
2. This limit will be Rs 12.75 lakh for salaried taxpayers, due to standard deduction of Rs 75,000.



## STARLIGHT WEALTH LLP

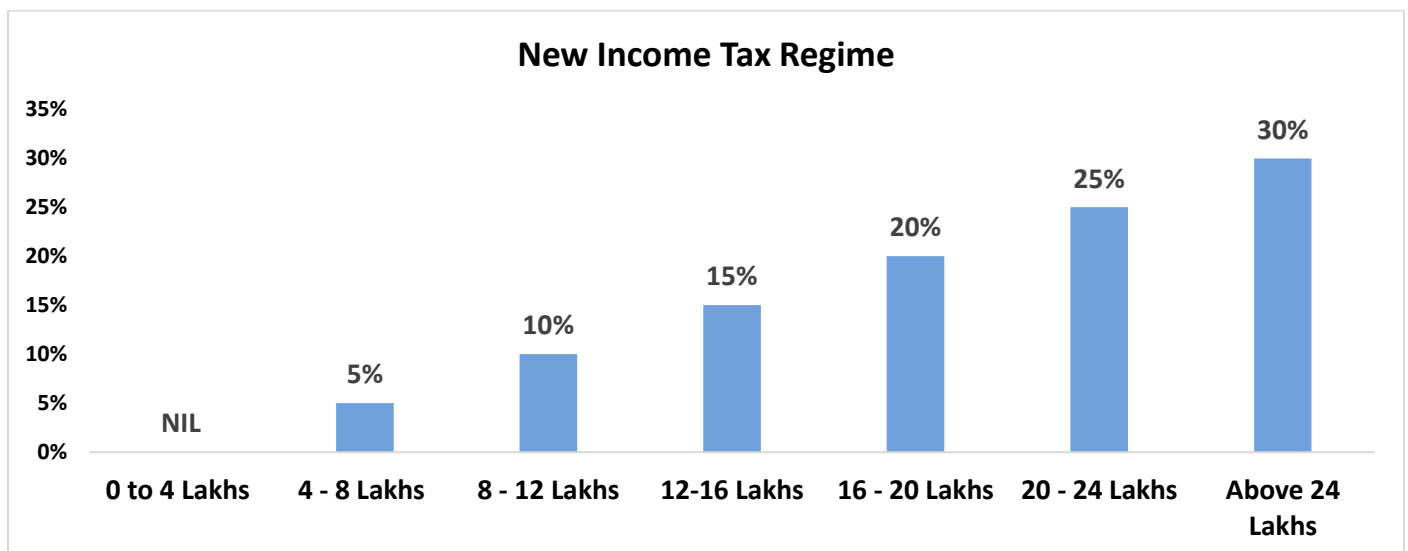
### **Implication**

The new structure will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment.

### **TDS/TCS rationalization for easing difficulties**

1. Rationalization of Tax Deduction at Source (TDS) by reducing number of rates and thresholds above which TDS is deducted.
2. The limit for tax deduction on interest for senior citizens doubled from Rs 50,000 to Rs 1 lakh.
3. The annual limit of Rs 2.40 lakh for TDS on rent increased to Rs 6 lakh.
4. The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) increased from Rs 7 lakh to Rs 10 lakh.
5. The provisions of the higher TDS deduction will apply only in non-PAN cases.

### **New Income Tax Regime**



1. Benefit of Rs. 80,000 for individuals with up to Rs. 12 Lakh Income.
2. Benefit of Rs. 70,000 for individuals with up to Rs. 18 Lakh Income.
3. Benefit of Rs. 1,10,000 for individuals with up to Rs. 24 Lakh Income.

***Taxpayers to be allowed to claim annual value of two self-occupied properties as nil without any condition.***



## STARLIGHT WEALTH LLP

### Ease of Doing Business

1. Expansion of the scope of safe harbour rules to reduce litigation and provide certainty in international taxation.
2. Exemption of withdrawals made from National Savings Scheme (NSS) by individuals on or after the 29th of August 2024.
3. **Extension for incorporation of Start-Ups:** Extension of the period of incorporation by 5 years to allow the benefit available to start-ups incorporated before 1/4/2030.
4. **Extension of investment date for Sovereign and Pension Funds:** Extension of the date of making investments in Sovereign Wealth Funds and Pension Funds by 5 more years, to 31st March 2030, to promote funding from them to the infrastructure sector.

### Financial Sector Norms

1. **FDI in Insurance Sector:** The FDI limit for the insurance sector to be raised from 74 to 100 per cent, for those companies which invest the entire premium in India.
2. **Credit Enhancement Facility by NaBFID\*:** NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.
3. **Pension Sector:** A forum for regulatory coordination and development of pension products to be set up.
4. Govt. to roll out central KYC registry in 2025.
5. Kisan Credit Cards (KCC) facilitating short term loans to farmers, the loan limit under the Modified Interest Subvention Scheme will be enhanced from Rs.3 lakh to Rs.5 lakh for loans taken through the KCC.

\*National Bank for Financing Infrastructure and Development.

What's Becoming Cheaper	
Mobile Phones & Accessories	Reduction in BCD (Basic Customs Duty) to 15% on mobile phones, PCBA, and chargers.
Electric Vehicles (EV) & Batteries	Lower duties on lithium-ion battery waste, cobalt, and key raw materials for EV battery manufacturing. Custom duty exemption on 35 additional capital goods for EV battery manufacturing.
Life-Saving Drugs & Medical Equipment	36 critical medicines, including cancer drugs, exempted from BCD. Medical devices and tools granted customs exemptions. Concessional duty on six additional life-saving drugs. Bulk drugs for these medicines also exempted from customs duties.
Renewable Energy & Critical Minerals	Exemption on customs duties for 25 critical minerals to boost domestic production.



## STARLIGHT WEALTH LLP

	Duty exemption for capital goods used in solar panel and cell manufacturing.
<b>Agriculture &amp; Fisheries</b>	BCD on frozen fish paste (Surimi) reduced from 30% to 5%.
	Reduction in customs duty on shrimp and fish seeds to 5%.
	Import duty on phosphoric acid reduced from 20% to 7.5%.
<b>Gold, Silver &amp; Platinum</b>	Reduction in customs duty on gold and silver to 6% and on platinum to 6.4%.
<b>Leather Industry</b>	Wet blue leather exempted from BCD, reducing costs for leather goods.
<b>Shipbuilding</b>	Raw materials for shipbuilding exempted from BCD for another 10 years.
<b>Knitted Fabrics &amp; Textiles</b>	Reduced duties on certain textile machinery to boost domestic production.

What's Becoming Costlier	
<b>Interactive Flat Panel Displays</b>	Customs duty increased from 10% to 20%.
<b>Knitted Fabrics</b>	Duty increased from "10% or 20%" to "20% or ₹115 per kg."
<b>Telecom Equipment</b>	Custom duty increased from 10% to 15% on specified telecom equipment.
<b>Laboratory Chemicals &amp; Ammonium Nitrate</b>	Custom duty raised from 7.5% to 10%.



STARLIGHT WEALTH LLP

---

### **Starlight Wealth Views:**

- There has been some tinkering with customs duties in industries where the supply chain resides abroad – making it more efficient for the manufacturing sector. On real estate, there would be no deemed rental income on the second home, which is a minor positive. Finally, if most taxpayers move to the new regime of income tax – this would have an impact of any financial products (e.g. ELSS, Life Insurance products, etc) where rebates were allowed.
- It was largely in continuation with what has been delivered historically – fiscal prudence and some element of populism. The good news as one of the television commentators said was that there were no surprises on the negative side.
- The revised tax slabs essentially imply no income tax burden for income levels up to Rs 12.75 lakh. This makes the old tax regime less attractive for vast majority of tax filers thus disincentivising investments under 80C. While this is negative for life insurance companies, more income in hands of households can have positive impact on repayment capabilities.
- Unit Linked Insurance Plan (ULIP) policies with ticket size > Rs.2.5 lakh, maturity proceeds were taxed as “income from other sources”. The same will now be considered as capital gains and hence the tax rate on maturity proceeds is lower than earlier.
- The Government revised capital expenditure figures for FY25 and the target for FY26 indicates the shift of investments from the government to the private sector going forward.
- The budget has broadly presented realistic estimates, except for the disinvestment target. However, downside risks to revenue collections exists if growth does not recover in FY26.
- The borrowings for FY26 are inline with market expectations. RBI’s liquidity measures and rate cut expectations will be key drivers for the Debt Markets.
- Equity Markets gave a muted response to the Budget. Continued higher broader market valuations, corporate earnings and Central Bank rate actions will guide markets going forward.

**Disclaimer:** *All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication, but we make no representation as to its accuracy or completeness. All information is for the private use of the person to whom it is provided without any liability whatsoever on the part of Starlight Wealth LLP, any associated company, or employee thereof. Nothing contained herein should be construed as an offer to buy or sell or a solicitation of an offer to buy or sell. The value of any investment may fall as well as rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of the investment to increase or diminish. Consequently, investors may not get back the full value of their original investment.*