Samarth

2025-2026

CDM ANALYSIS OF UNION BUDGET



Editor

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SAMARTH

CDM HANDBOOK ON UNION BUDGET 2025-26

"AN ANALYSIS FROM DEFENCE PERSPECTIVE"

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Victory Through Excellence

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PREFACE

The Indian economy demonstrates strong performance and resilience in the face of geopolitical challenges. The economy has solidified its post-COVID rebound due to conducive monetary and fiscal policies. The Union Budget 2025-26, emphasizes balanced growth and aims to unlock the nation's potential under the theme "Sabka Vikas" (Development for All).

The global economic outlook remains cautious with vulnerabilities such as high public debt and supply chain disruptions. Despite these challenges, the union budget emphasizes balanced growth through strategic investments in agriculture, MSMEs, and infrastructure. This proactive approach aims to mitigate external risks and sustain the nation's growth trajectory.

The **'Samarth - CDM Handbook of Union Budget 25-26'** provides insights into the union budget allocations in general and defence allocations in particular. The focused analysis with graphic illustrations is aimed to act as a ready-reckoner for higher defence management.

As always, the College is committed to providing in-house research and consultancy support to enhance quality of strategic management defence forces

(Harsh Chhibber)
Maj Gen
Commandant

17 Feb 25

Cmde Prashant D Shidhaye, VSM
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FOREWORD

'Samarth-CDM Analysis of Union Budget' is an exploration of this year's Union Budget with specific emphasis on the Defence Fiscal.

The summary permeates close linkages and correlation between the Defence & Development which are quintessential components of a Developing Nation. The budget analysis also reflects India's new vision & commitment towards 'Atmanirbhar Bharat'. The compilation examines budgetary provisions for various sub-segments of the Indian Armed Forces including expenditure to Raise, Train & Sustain the military capability.

I would like to place on record my compliments to the Team from the Faculty of Resource Management, for compiling this edition of 'Samarth : CDM Analysis of Union Budget', under the editorship of Gp Capt HS Jaggi.

Shall look forward to valuable suggestions towards improvement of the analysis in future at ds18.ids@gov.in

Shidhaye
(Prashant Shidhaye)
Cmde
HF RM & PAT

17 Feb 25

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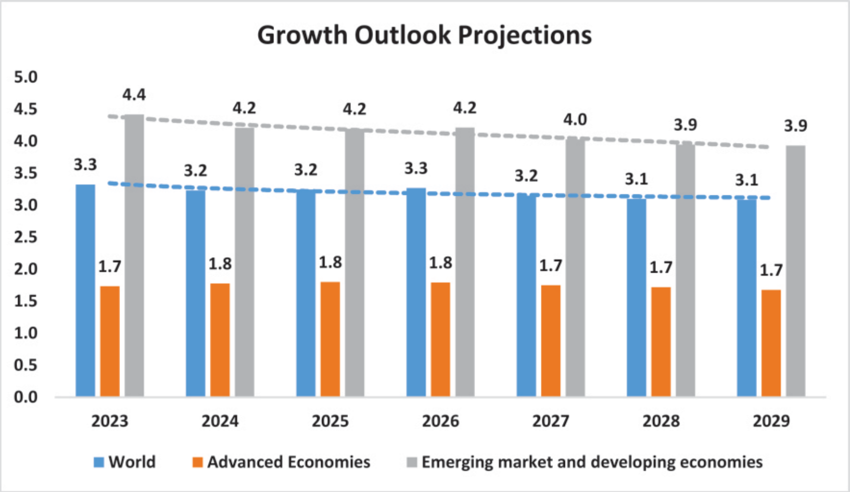
CHAPTER 1: GLOBAL RISKS AND EMERGING FINANCIAL LANDSCAPE

1. **Global Overview**. Globally, 2024 has been an eventful year. The year witnessed unprecedented electoral activity on the political front, with more than half of the global population voting in major elections across countries. Meanwhile, adverse developments like the Russia-Ukraine conflict and the Israel-Hamas conflict increased geopolitical instability. These events impacted energy and food security, increasing prices and rising inflation. Cyberattacks became more frequent and severe, with growing human and financial consequences due to the increasing digitisation of critical infrastructure. Geopolitical risks and policy uncertainty, especially around trade policies, have also contributed to increased volatility in global financial markets.

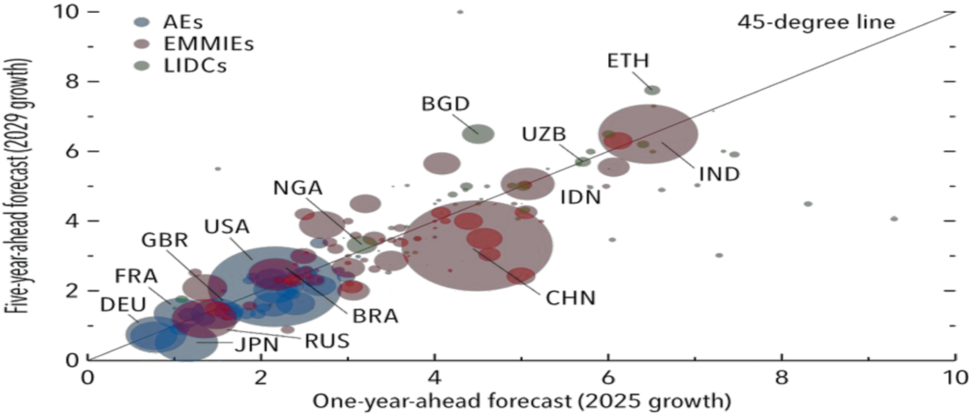
2. **Economic Overview**. Global economic growth has remained fairly moderate. The global economy grew by 3.3 per cent in 2023. **The International Monetary Fund (IMF) has projected similar growth over the next five years,** which is modest by historical standards. While the overall global outlook remains steady, growth varies across different regions. The global economy has shown surprising resilience in the face of the most aggressive global tightening of monetary policy in decades. **Persistently elevated inflation in many countries and high interest rates are weighing heavily on economic growth, particularly in export and manufacturing-led markets.** An already visible economic downturn is likely to spread, with a risk that new economic shocks would be unmanageable as debt passes the sustainability tipping point. Additionally, **continued trade conflicts and geoeconomic rifts** between the United States, the European Union and China **add to the significant economic uncertainty ahead.**

3. **Growth Outlook**. The outlooks for the two largest economies, China and the United States are highly complex, and these two key sources of uncertainty could lead to unanticipated, and possibly divergent, implications for the trajectory of the global economy. **Moody's recently cut China's credit outlook to negative on rising debt risks,** reflecting risks relating to structurally and persistently lower medium-term economic growth. There is similar uncertainty in the United States. **Any fiscal consolidation in the United States or a political stand-off relating to debt loads could have a profound effect** on global markets and trade, while any overestimation of the slowdown could lead to earlier or sharper intervention on interest rates and re-spark demand-side price pressures. **The outcome of the US presidential elections creates additional uncertainty** for the country's economic outlook, depending on the policy choices of the Trump government.



Source: World Economic Outlook Report

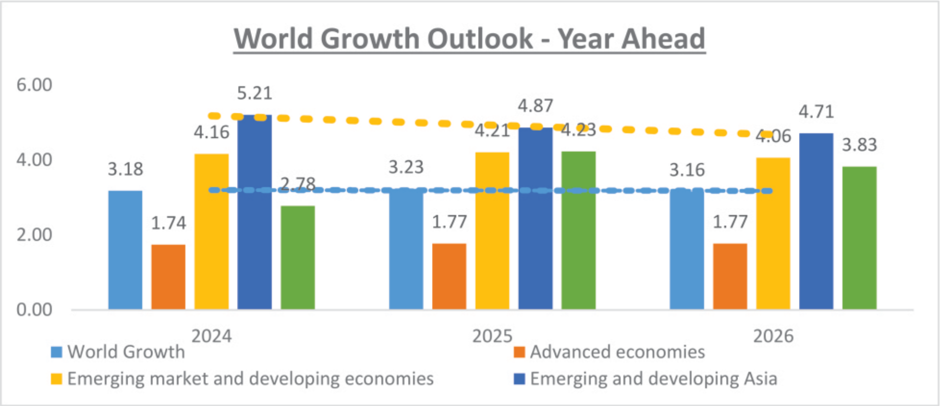
4. **<u>The Projections</u>**. As inflation recedes, policy rates are expected to follow suit, preventing undue increases in real interest rates. **Interest rates are expected to gradually descend toward their natural levels.** Cuts in the production and shipping of commodities (oil in particular), **conflicts, and civil unrest have led to downward revisions to the regional outlooks** for the Middle East, Central Asia and sub-Saharan Africa. At the same time, **surging demand for semiconductors and electronics, driven by significant investment in artificial intelligence, has fuelled stronger growth in emerging Asia.**



AE – Advanced Economies, EMMIEs – Emerging Market & Middle-Income Economies,
LIDC – Low-Income Developing Countries

Source: World Economic Outlook Report

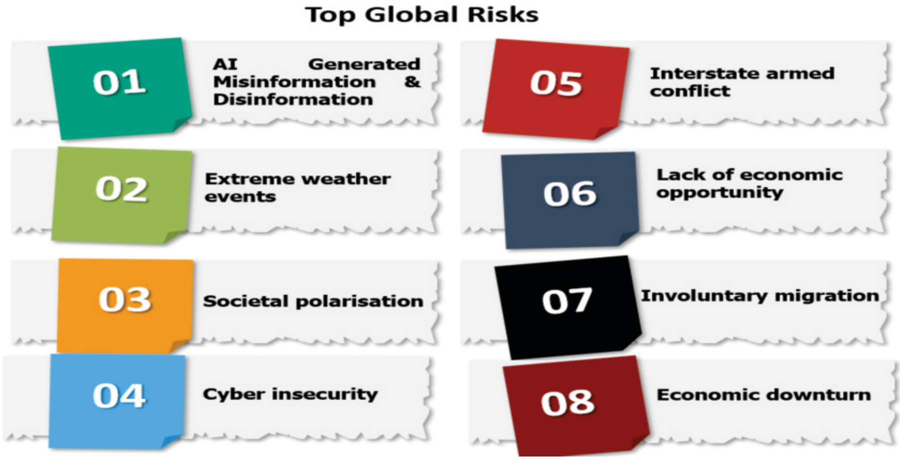
5. **Year Ahead**. Emerging Asia's strong growth is expected to subside, from 5.7 per cent in 2023-24 to 5.0 per cent in 2025. This reflects a sustained slowdown in the region's two largest countries. India's outlook for GDP growth is moderated from 8.2% in 2023-24 to 7% in 2024-25 and 6.5% in 2025-26, as pent-up demand accumulated during the pandemic has exhausted. In China, the slowdown is projected to be more gradual. For many advanced and emerging market economies, the five-year-ahead forecast is weaker than the one-year-ahead forecast. Global economic activity has moderated, inflation has slowed, emerging markets have remained resilient, financial conditions have remained accommodative, and volatility in financial markets has remained moderate. Asset valuations appear lofty, debt has climbed globally, and the use of leverage among nonbank financial intermediaries has increased. Fragilities in corporate and commercial real estate sectors remain. These imbalances could worsen future downside risks by amplifying adverse shocks, which have become more probable due to the widening disconnect between elevated economic uncertainty stemming from ongoing military conflicts and the uncertain future policies of newly elected governments.



Amount in ₹ lakh Crore

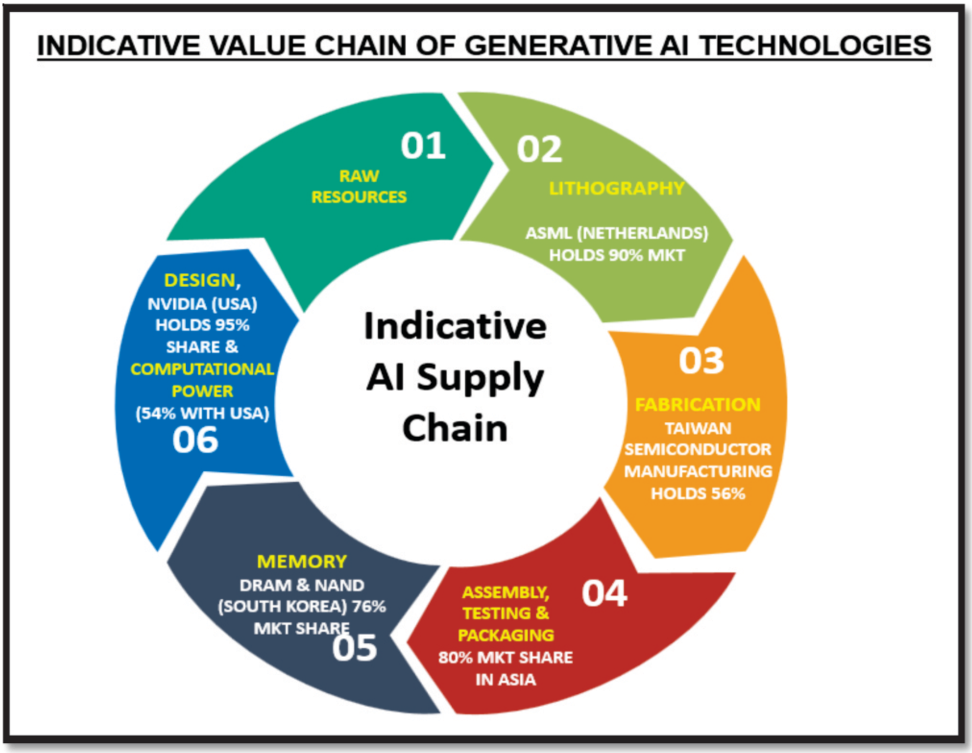
Source: Based on MoSPI Data

6. **<u>Global Risks</u>**. The ongoing Russia-Ukraine war has exposed cracks in societies that are being further strained by episodic upheaval. The global system has thus far proved surprisingly resilient. A widely anticipated recession failed to materialise last year, and financial turbulence was quickly subdued, but the outlook remains uncertain. Political strife and violent conflicts, from Niger and Sudan to Gaza and Israel, have captured the attention and apprehension of populations worldwide in some instances while attracting little focus in others. These developments have not yet led to wider regional conflicts nor have they created globally destabilising consequences such as those seen at the initial outbreak of the war in Ukraine or the COVID-19 pandemic but their long-term outlook could bring further shocks. As per the World Economic Forum, the top global risks in the short term based on severity are:-



7. **<u>Global North vs Global South</u>**. Dissatisfaction with the continued political, military and economic dominance of the Global North is growing, particularly as states in the Global South bear the brunt of a changing climate, the aftereffects of pandemic-era crises and geoeconomic rifts between major powers. Global powers' attention and resources are anticipated to be concentrated on three hotspots during the next two years i.e., the conflict in Ukraine, Taiwan tensions and the Israel-Gaza conflict. Global supply lines, financial markets, security dynamics, and political stability would all be severely disrupted by an escalation in any one of these hotspots, gravely endangering people's perception of safety and security elsewhere. All three areas stand at a geopolitical crossroads, where major powers have vested interests, including oil and trade routes in the Middle East, stability and the balance of power in Eastern Europe, and advanced technological supply chains in East Asia. Each could lead to broader regional destabilisation, directly drawing in major power(s) and escalating the scale of conflict. All three also directly involve powers reckoned to possess nuclear capabilities.

8. **Adverse Outcomes of AI**. Rapidly evolving development of and reliance on advanced machine intelligence is outpacing our ability to adapt to understand the technology itself and to create regulatory safeguards with regulation playing catch up to the technology. The production of AI technologies is highly concentrated, in a singular, globally integrated supply chain that favours a few companies and countries. This creates significant supply-chain risks that may unfold over the coming decade. Export controls over early stages of the supply chain (including minerals), could raise overall costs and lead to persistent inflationary pressures. Restricted access to more complex inputs (such as semiconductors) could radically alter the trajectory of advanced technological deployment within a country. Given the strategic significance of AI technologies, national security objectives will likely remain the primary objective of innovation and industrial policy in several economies in response to market concentration, shaping upstream market dynamics.



9. **Taper Growth with Increasing Commodity Prices**. In oil markets, supply cuts by OPEC+ (including Russia) and geopolitical tensions in the Middle East offset strong non-OPEC+ supply growth. Fears of a broader regional escalation of tensions in the Middle East have added a volatile risk premium to oil prices, though no major supply disruptions have occurred so far. A rise in Red Sea maritime attacks has dislocated

seaborne oil flows, decreasing traffic through the Suez Canal by almost two-third and largely rerouting it around the Cape of Good Hope, though tanker rates for both products and crude oil have dropped back to pre-conflict prices. Russian oil, exported primarily to China and India, has been trading above the Group of Seven price cap for most of the past year, but at a \$15–\$20 discount to Brent. For liquefied natural gas, Asian prices increased by 49.8 per cent following strong import demand from Japan, China and India.

10. High macroeconomic uncertainty can profoundly affect macro-financial stability by exacerbating downside market tail risks, delaying consumption and investment decisions, and reducing credit supply.

Key Takeaways

✓ **Global growth is expected to remain broadly flat and Emerging Asia's strong growth is expected to subside.**

✓ **Continued trade conflicts and geoeconomic rifts pose significant economic uncertainty ahead.**

✓ **Global supply lines, financial markets, and political stability would be severely disrupted by any escalation in any unstable hotspots.**

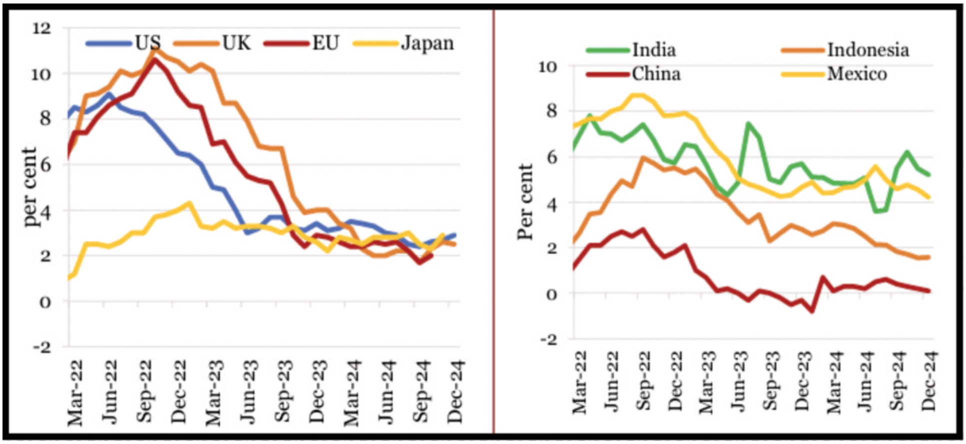
✓ **High macroeconomic uncertainty can profoundly affect macro-financial stability.**

CHAPTER 2: IMPLICATIONS FOR DEFENCE FROM ECONOMIC SURVEY

11. **State of Economy**. Looking ahead, India's economic prospects for FY26 are balanced. Headwinds to growth include elevated geopolitical and trade uncertainties and possible commodity price shocks. Domestically, the translation of order books of the private capital goods sector into sustained investment pick-up, improvements in consumer confidence, and corporate wage pick-up will be key to promoting growth. Overall, India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential. Inflation rates across economies have trended downward steadily, approaching central bank target levels. This has been the result of tighter monetary policy regimes across the globe and supply chains adapting to higher levels of economic uncertainty.

12. **Inflation and Its Impact**. In the realm of military budgeting, the relentless force of inflation casts a profound impact on defence allocations. As prices rise and the value of currency declines, defence spending faces challenges in maintaining its purchasing power and meeting strategic goals. The defence sector is particularly vulnerable to inflation due to its reliance on long-term planning, complex procurement processes, and high-cost equipment acquisitions. Therefore, declining inflation is good news for the Indian defence sector. The risk to inflation from increases in commodity prices seems limited in 2025-26.

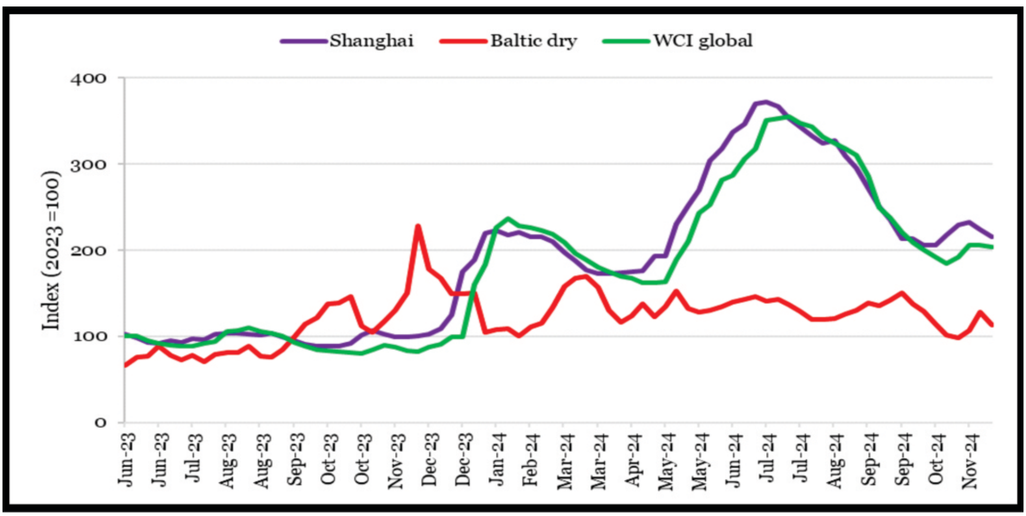
Moderating Global Inflation



Source: Economic Survey 24-25

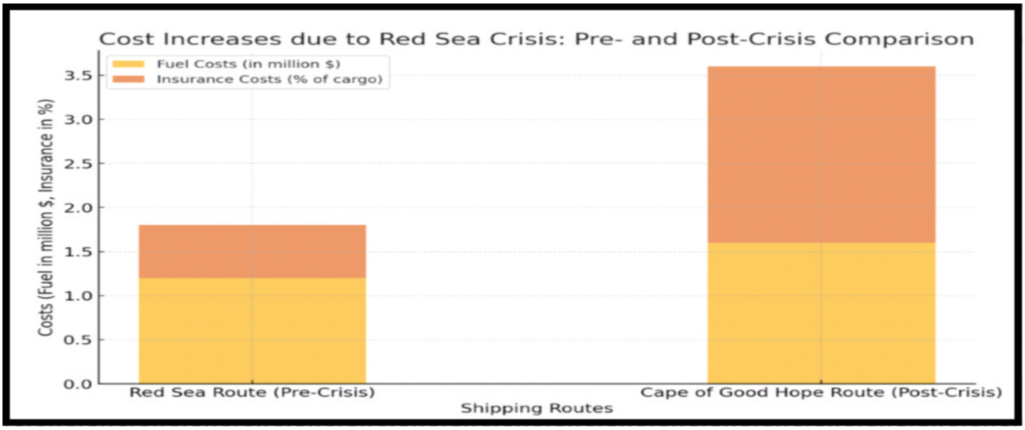
13. **<u>Global Supply Chain Pressures</u>**. Recent disruptions in global shipping have pushed goods prices up. These events have also pressurised the global supply chains. This was due to stronger demand, shipping route disruptions in the Red Sea, and delays at the Panama Canal, all of which have partially sustained inflationary pressures. The risk of synchronised price increases remains, especially during periods of global economic stress. Although recent shocks like geopolitical conflicts and extreme weather have caused price fluctuations, their impact has largely subsided, leading to more varied commodity prices. However, escalating tensions continue to pose a risk of synchronised price increases, undermining the effectiveness of inflation mitigation.

Moderated Global Shipping Prices



Source: Economic Survey 24-25

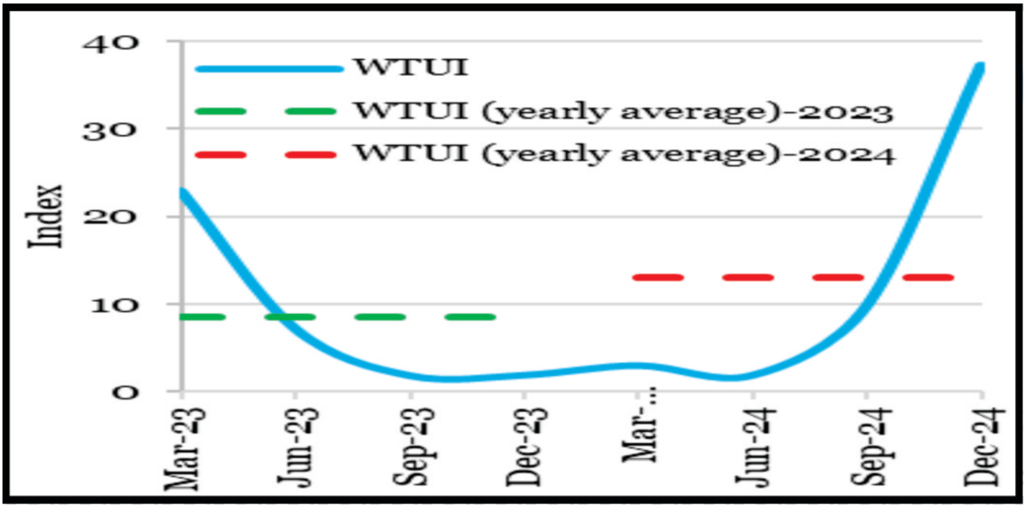
14. The most immediate and noticeable impact of any crisis in the maritime domain has been the increase in shipping costs. Companies, wary of potential attacks, have shifted to the longer, more secure route around the Cape of Good Hope. This detour can add up to 12 days to typical voyages between Asia and Europe, translating to additional fuel consumption, increased crew wages, and higher vessel chartering costs. The additional sailing time adds as much as 30% to overall shipping costs, with the rerouting of vessels alone costing companies an additional $1 million per voyage. **From a Supply Chain Resilience perspective, the rerouting highlights both the adaptability and fragility of global shipping networks in the face of geopolitical shocks.**



Source : Economic Survey 24-25

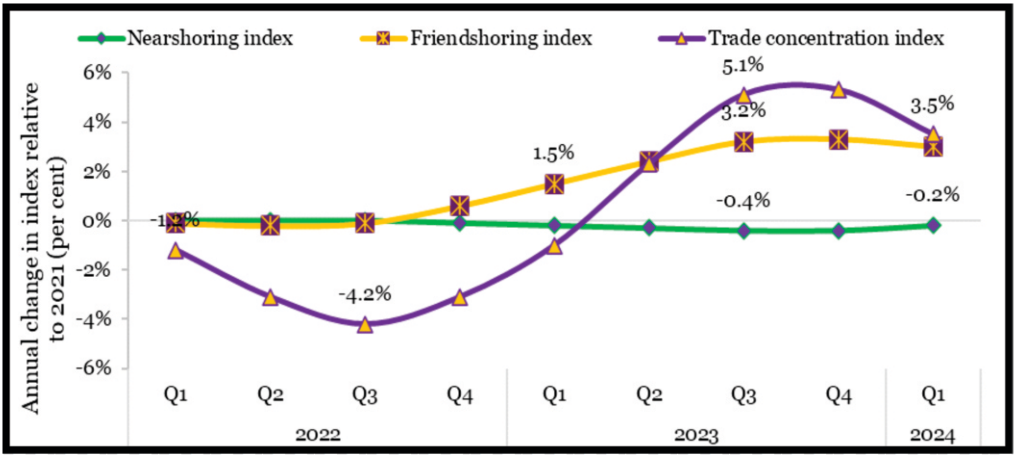
15. An intensification of the evolving conflicts in the Middle East, or the Russia-Ukraine conflict, could lead to market repricing of sovereign risk in the affected regions and disrupt global energy markets. The oil market is well-supplied for now. However, any damage to energy infrastructure could tighten supply, adding uncertainty to the global economic outlook. The World Trade Uncertainty Index has risen, driven by trade tensions and policy shifts in major economies. **Regional powers must prioritize stability in key waterways, while Supply Chain Resilience frameworks suggest long-term investment in diversified trade routes and technological innovations.**

World Trade Uncertainty Index



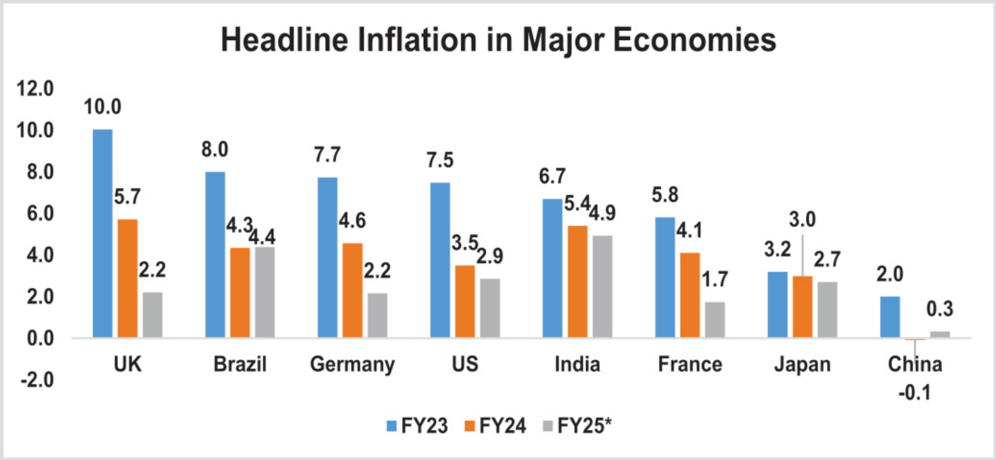
16. **Changing Trade Landscape**. There has been a noticeable rise in the political proximity of trade since late 2022. This indicates a preference for bilateral trade between countries with similar geopolitical stances, i.e., friend-shoring and nearshoring. Concurrently, there has been an increasing concentration of global trade to favour significant trade relationships. For instance, Russia and China's trade dependence on the EU and the US's dependence on China has declined in recent years. In contrast, the dependence of Russia and Vietnam on China has increased. Government interventions, including Non-Trade Measures (NTMs), reinforce the change in bilateral trade patterns due to geopolitical considerations. The rise in NTMs is further fuelled by the conflict between Russia and Ukraine. NTMs impacted over 30 per cent of products and nearly 70 per cent of global trade as per the UNCTAD report. This changing global scenario has implications for the defence budget of countries like India which depends on a large quantum of defence imports.

Friendshoring and Trade Concentration Index



Source: Based on Economic Survey 24-25

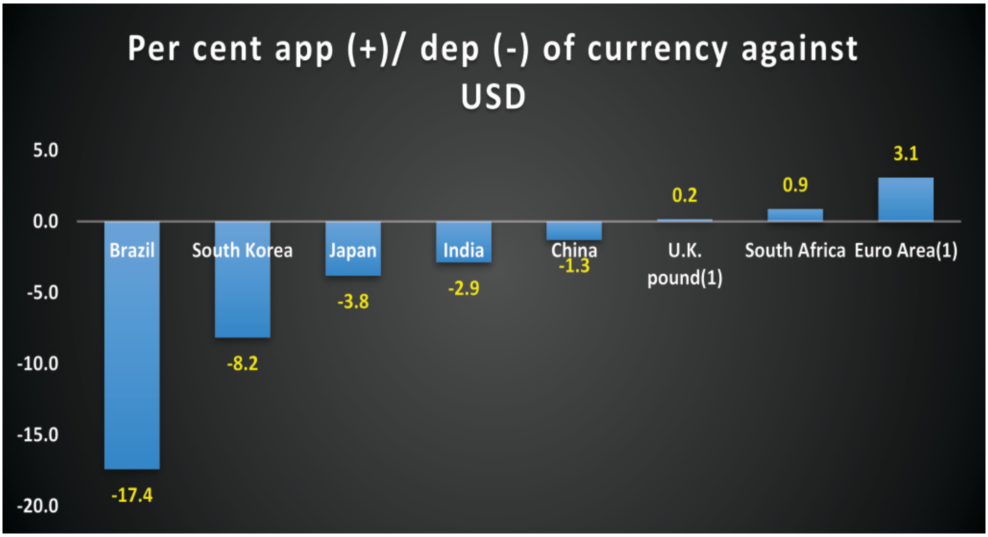
17. **Inflation & Defence**. Despite the sharp and synchronised tightening of monetary policy across countries, the global economy has demonstrated an unusual level of resilience in output growth throughout the disinflationary process. This resilience is reflected in the steady decline of the headline inflation rate in most countries during FY24 and the current year. Estimates suggest India's retail price inflation will align progressively with the target. Global commodity prices are expected to decline, potentially easing the core inflation. India's headline inflation (CPI) has moderated in FY25 (April-December) compared to FY24. This decline is primarily due to a significant decrease in core inflation, which dropped by 0.9 percentage points between FY24 and FY25 (April-December). A decrease in fuel price inflation has also contributed to the moderation in headline inflation.



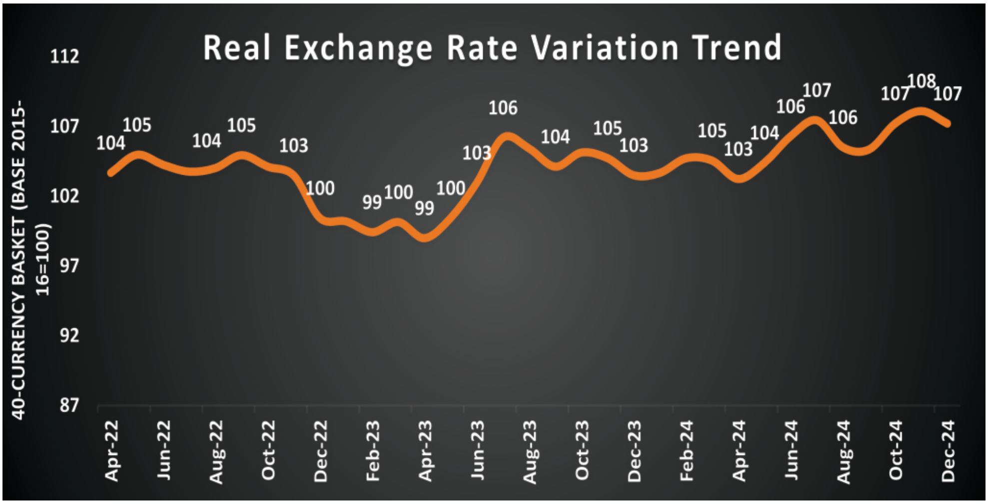
Source: Based on Economic Survey 24-25

18. **Implications for Defence**. Based on the average inflation trends and projections for the NFY, the purchasing power of the defence budget for 2025-2026 would be approximately 94.96% of its nominal value, indicating a reduction of about 5.04% due to inflation. This reduced purchasing power could impact various aspects of the defence budget, including procurement of new equipment, maintenance of existing assets, and overall operational readiness. Defence Revenue Budget Allocation of ₹ 3,11,732 Crore would have a purchasing power of ₹ 2,96,020 Crore.

19. **Exchange Rate Variation**. The value of the Indian Rupee (INR) is market-determined, with no target or specific level or band. Various domestic and global factors influence the exchange rate of the INR, such as the movement of the Dollar Index, trends in capital flows, level of interest rates, movement in crude prices, current account deficit, etc. In the first nine months of FY25 (up to 6 January 2025), the INR depreciated a modest 2.9 per cent, performing better than currencies such as the Canadian Dollar, South Korean Won and the Brazilian Real, which depreciated by 5.4 per cent, 8.2 per cent and 17.4 per cent, respectively, during the same period. One of the primary factors behind the rupee depreciation during 2024 has been the broad-based strengthening of the USD amidst geopolitical tensions in the Middle East and uncertainty surrounding the US election. Going forward, while divergent paths of monetary policies across countries could generate significant fluctuations in exchange rates and capital flows, emerging protectionism can fragment global trade flows. Therefore, rebuilding of fiscal buffers by countries is seen as a pre-requisite to be able to respond to unforeseen adverse events.



Source: Based on Economic Survey 24-25 Data



Source: Based on Economic Survey 24-25

20. The Real Effective Exchange Rate (REER), which reflects the real purchasing power of the currency. Capital outlay for Defence for the FY 25-26 is ₹ 1,80,000 Crore. With 2.9% depreciation in the ₹ against USD, entails an additional outflow of ₹ 1,880 Crore for capital procurement from imports (assuming 36% of the capital budget is imports against the new schemes and committed liabilities). This figure may vary based on actuals.

21. **Space Infrastructure**. India currently operates 56 active space assets, including 19 communication satellites, nine navigation satellites, four scientific satellites, and 24 earth observation satellites. ISRO has enhanced its capabilities by adding a small satellite launch vehicle to its fleet. New Space India Limited (NSIL) successfully fulfilled its contract to launch 72 OneWeb satellites into low earth orbit. Recently it also launched the GSAT-20 satellite in collaboration with SpaceX. As part of India's Space Vision 2047, the Union Cabinet has approved four key projects i.e, the Gaganyaan follow-on mission, which will pave the way for the establishment of the first module of the Bhartiya Antariksh Station, the Chandrayaan-4 Lunar Sample Return Mission, the Venus Orbiter Mission, and the development of the Next Generation Launch Vehicle. These initiatives aim to enhance India's technological capabilities, foster industry collaboration, and strengthen the country's position in global space exploration. The Defence Sector would also benefit from the ISRO's monitoring and management infrastructure.

22. **Global Capability Centres**. India's Global Capability Centres (GCCs) are emerging as strategic hubs reshaping the Indian corporate landscape while influencing global business dynamics. The number of GCCs in India has grown from approximately 1430 in FY19 to over 1700 in FY24. GCCs are fundamentally altering the technology landscape. Leading organisations are centralising their tech ecosystems in India. This is particularly evident in sectors like aerospace, defence, and semiconductors, where companies are advancing their engineering efforts to focus on next-generation platforms, products, and technologies. Over the last five years, the setup rate of engineering research & development GCCs has grown 1.3 times faster than the overall GCC setup, highlighting a continued shift towards high-value-added work. The increasing penetration of digital technologies and artificial intelligence in manufacturing and service sector activities like telecom, transport and logistics would benefit the armed forces as well.

23. **Research and Development**. R&D-related incentive systems vary across countries, yet there are common threads. China's strategy is characterised by significant government intervention. Key incentives include substantial tax breaks, such as super deductions and reduced corporate income tax rates. The US approach relies more on market-based mechanisms and tax incentives. In India, not only is the industrial R&D low, but it is also sectorally concentrated. Drugs and pharmaceuticals led the way, followed by information technology, transportation, defence, and biotechnology. Public sector R&D is primarily driven by the defence industry, followed by the fuels and metallurgical sectors. India's R&D focus has been on basic research rather than applied research. This often lacks the practical applications needed to attract private investment. This gap needs to be bridged to streamline and drive innovations and investment across multiple sectors. To bridge this gap, there is a need to foster industry-academia collaboration, enhance private-sector participation, and prioritise applied research. And the private sector needs to respond to the R&D challenge wholeheartedly. To implement the private sector-driven Research, Development and Innovation initiative, Govt allocated ₹ 20,000 Crore. In addition, a Deep Tech Fund of Funds will also propose to catalyse the next-generation startups as a part of this initiative.

24. **Harnessing MSMEs**. The financial limits for MSMEs for investment and turnover criteria have been enhanced. This would now enable bigger firms to be classified as MSMEs and able to take benefit of cheaper credit. The revised limits are as follows:-

Rs. 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

Key Takeaways

✓ **As prices rise and the value of currency declines, defence spending faces challenges in maintaining its purchasing power and meeting strategic goals.**

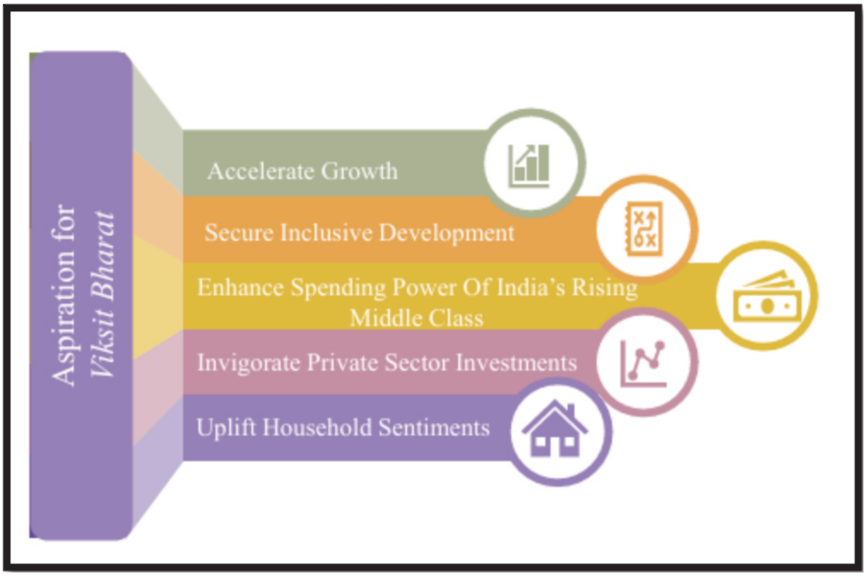
✓ **The fragility of global shipping networks in the face of geopolitical shocks may impact Supply Chains.**

✓ **Reduced purchasing power could impact the defence budget, including procurement of new equipment, maintenance of existing assets, and overall operational readiness.**

✓ **ISRO has enhanced its capabilities by adding a small satellite launch vehicle to its fleet. The Defence Sector would benefit from the ISRO's monitoring and management infrastructure.**

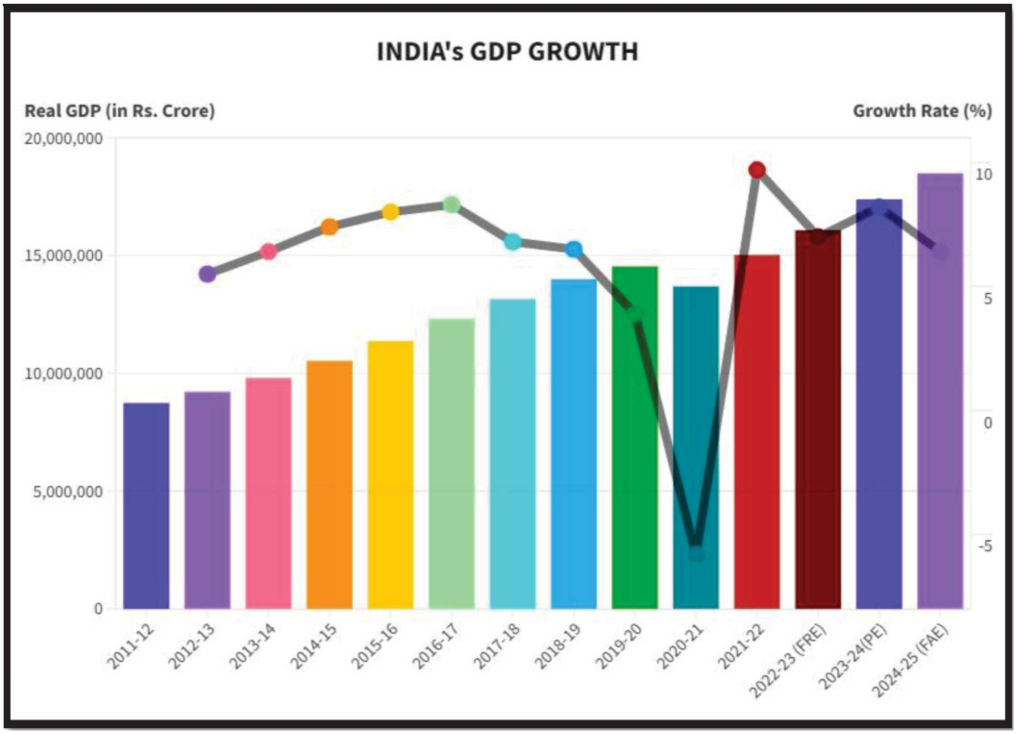
✓ **The armed forces would benefit from the increasing penetration of digital technologies and artificial intelligence in manufacturing and service sector activities like telecom, transport, and logistics.**

✓ **Private sector-driven R&D ecosystem to catalyse the next generation startups which would have immense value for Defence.**


Aspiration for
Viksit Bharat
Accelerate Growth
Secure Inclusive Development
Enhance Spending Power Of India's Rising Middle Class
Invigorate Private Sector Investments
Uplift Household Sentiments

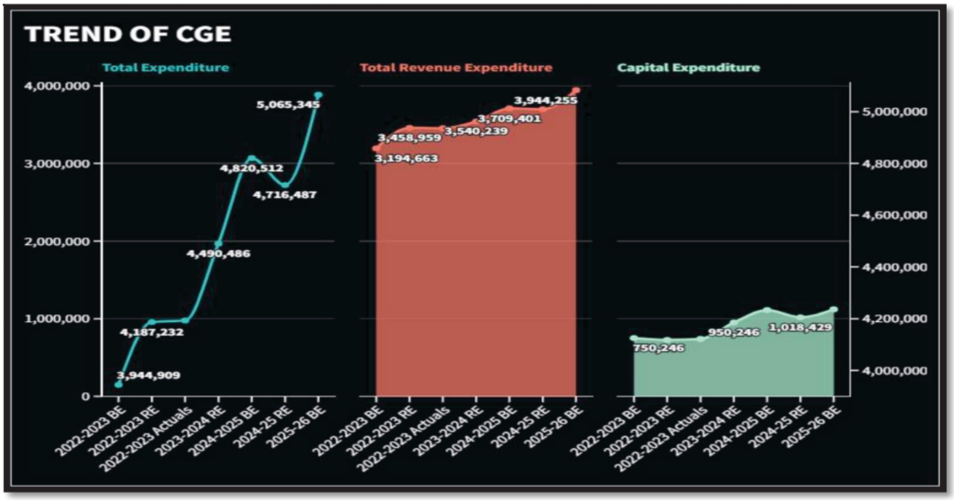
CHAPTER 3 – BUDGET IN NUMBERS

25. **Indian Economic Growth Trajectory**. Persistent geopolitical challenges point to slower medium-term global economic development. India is, however, moving forward towards its vision of a Viksit Bharat 2047. It is the fastest-growing among all major global economies. As per the first advance estimates, India's real (inflation-adjusted) and nominal GDP growth rates have been pegged at 6.4 per cent and 9.7 per cent, respectively, in FY 2024-25.



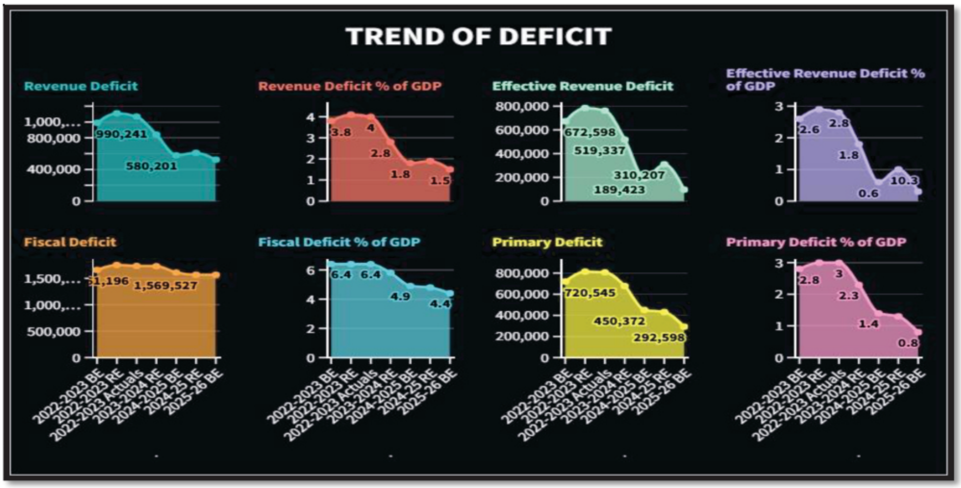
Source: Based on MoSPI Data

26. **Central Govt Expenditure**. The total expenditure of the Central Government in BE 2025-26 is pegged at ₹ 50.65 lakh crore (14.2 per cent of GDP) recording a growth of 7.4 per cent over ₹ 47.16 lakh crore provided in RE 2024-25. The Revenue Expenditure for BE 2025-26 has been estimated at ₹ 39.44 lakh crore. This translates into 11.0 per cent of GDP in BE 2025-26, compared to 11.4 per cent in RE 2024-25. The Budget for FY 2025-26 allocates ₹ 11.21 lakh crore (3.1 per cent of GDP) towards capital expenditure.



Source: Based on Union Budget 25-26

27. **<u>Trend of Deficit</u>**. The Fiscal Deficit in BE 2025-26 is projected at ₹15.69 lakh crore, slightly lower than the Fiscal Deficit of ₹ 15.70 lakh crore in RE 2024-25. This translates into a fiscal deficit to GDP ratio of 4.4 per cent in FY 2025-26 as against 4.8 per cent in RE 2024-25. Similarly, the Revenue Deficit is estimated at 1.5 per cent of GDP in BE 2025-26 against 1.9 per cent of GDP in RE 2024-25. Fiscal Deficit at the end of December 2024, is estimated at ₹ 9.14 lakh crore (or 56.7 per cent of the projected fiscal deficit of the Budget Estimate of FY 2024-25).



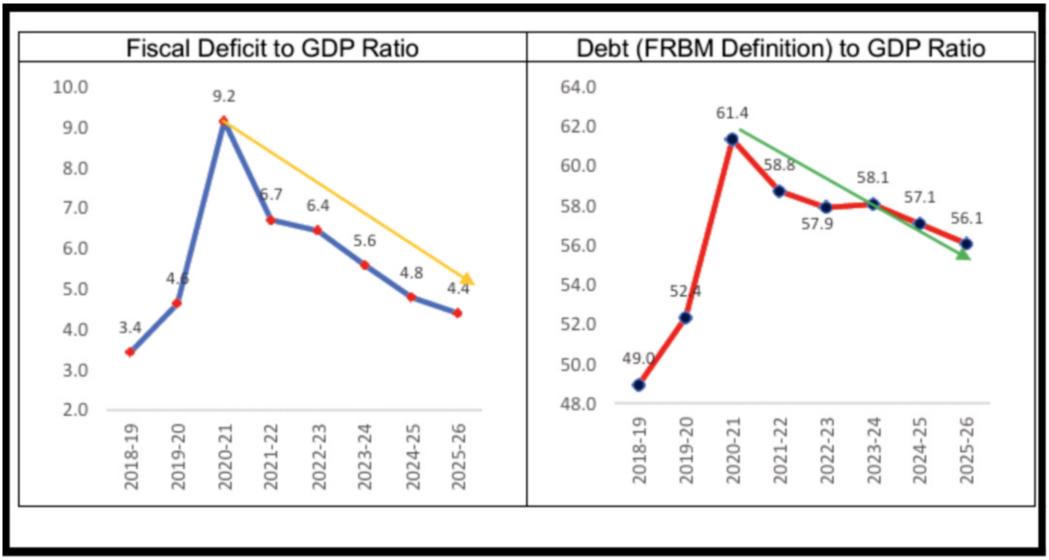
Source: Based on Union Budget 25-26

28. The effective revenue deficit depicts revenue earned minus the revenue expenditure of the Govt excluding grants given for the creation of capital assets to States or other

organisations. Primary deficit is a measure that reflects the fiscal deficit less interest payments towards loans taken in past. Therefore, the primary deficit reflects additional liability incurred by the Govt to meet its expenditure. The trend of various deficits is shown in the graph.

29. **Fiscal Consolidation**. According to the fiscal consolidation roadmap, all types of deficits are showing a declining trend which is very healthy. The recent trend in the fiscal deficit is the best among all the economies. Efforts of the Union Government to foster debt sustainability by reducing borrowing costs, risk mitigation, and market development are visible through fiscal discipline and prudence.

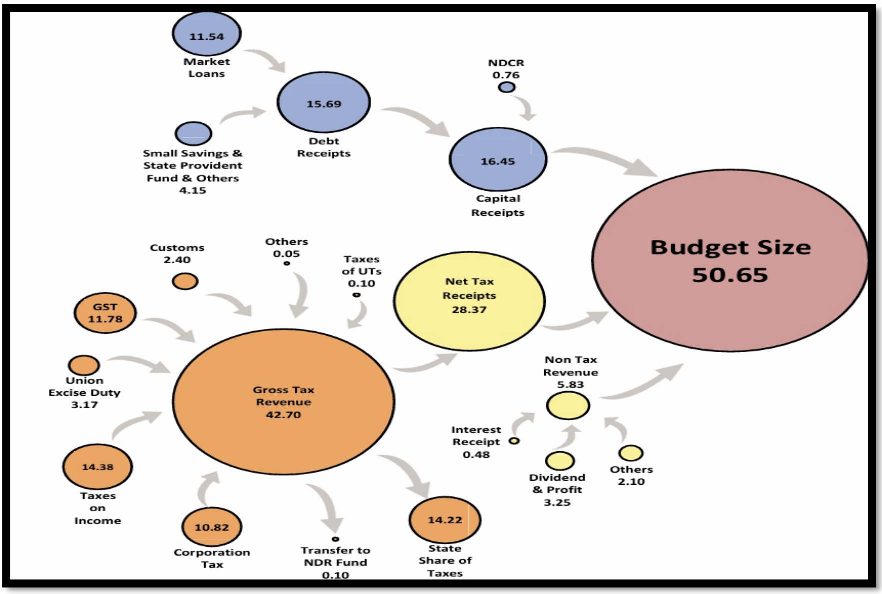
30. **Fiscal Performance and Targets**. Since FY 2021-22, Govt has adopted an operationally flexible fiscal consolidation path that has served the country well. Govt is set to achieve the goal outlined in the Budget for FY 2021-22 to reach a fiscal deficit level below 4.5 per cent of GDP (pegged at 4.4% in FY 2025-26). Section 4(1)(a) of the Fiscal Responsibility and Budget Management Act, 2003 mandated the Central Govt to take appropriate measures to limit the Fiscal Deficit to three per cent of GDP by 31 Mar 21. It also needed to ensure debt does not exceed 40% of GDP by the end of FY 2024-25. The Govt has now set the fiscal deficit in each year (from FY 2026-27 till FY 2030-31) such that the Central Govt debt is on the declining path to attain a debt to GDP level of about 50±1 per cent by 31 March 31 (the last year of the 16th Finance Commission cycle). This translates into a higher debt-to-GDP ratio targeted for FY 2030-31 (50%) as compared to 40% to be achieved by 2024-25.



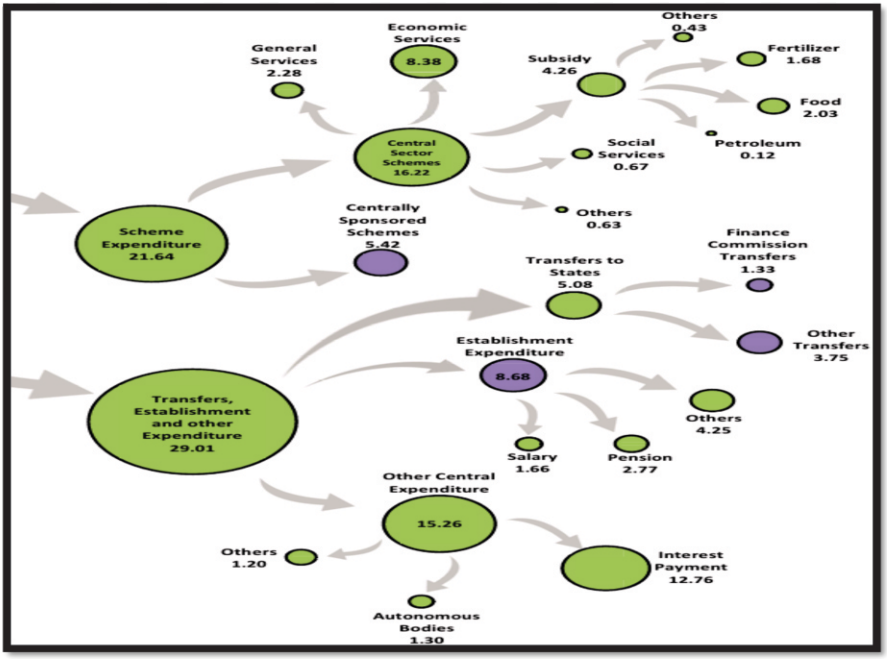
Source: Based on Union Budget 25-26

31. **Budget Maths**.

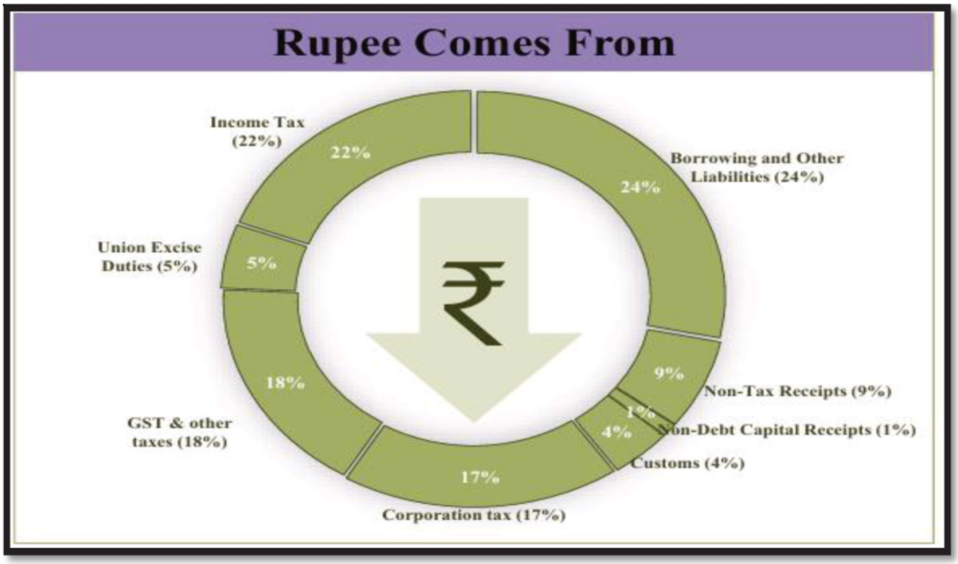
Receipts Profile Amount in ₹ lakh Crore



Expenditure Profile Amount in ₹ lakh Crore

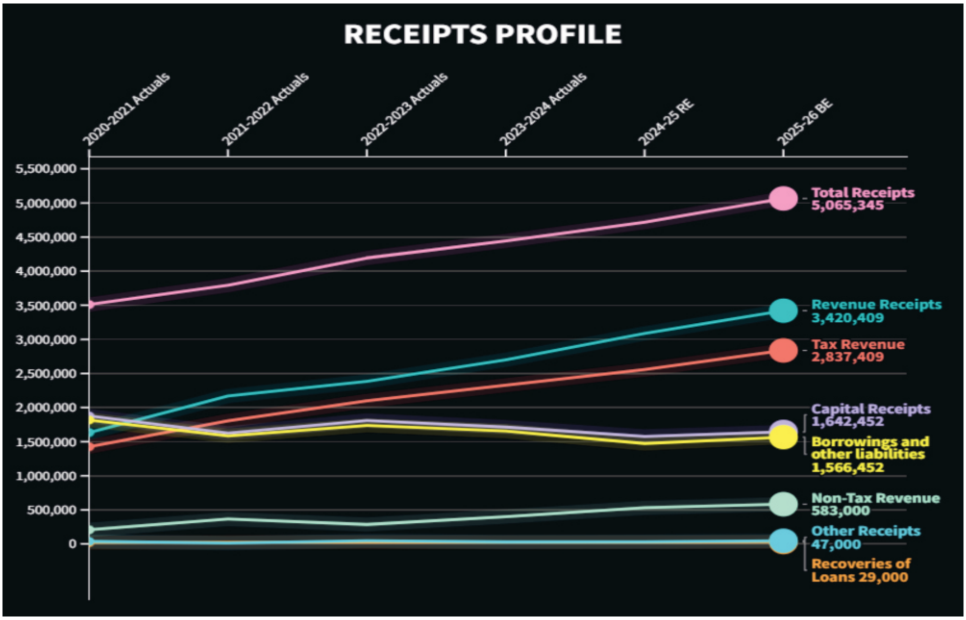


Analysis of Receipts



Receipts Profile 2020-21 onwards

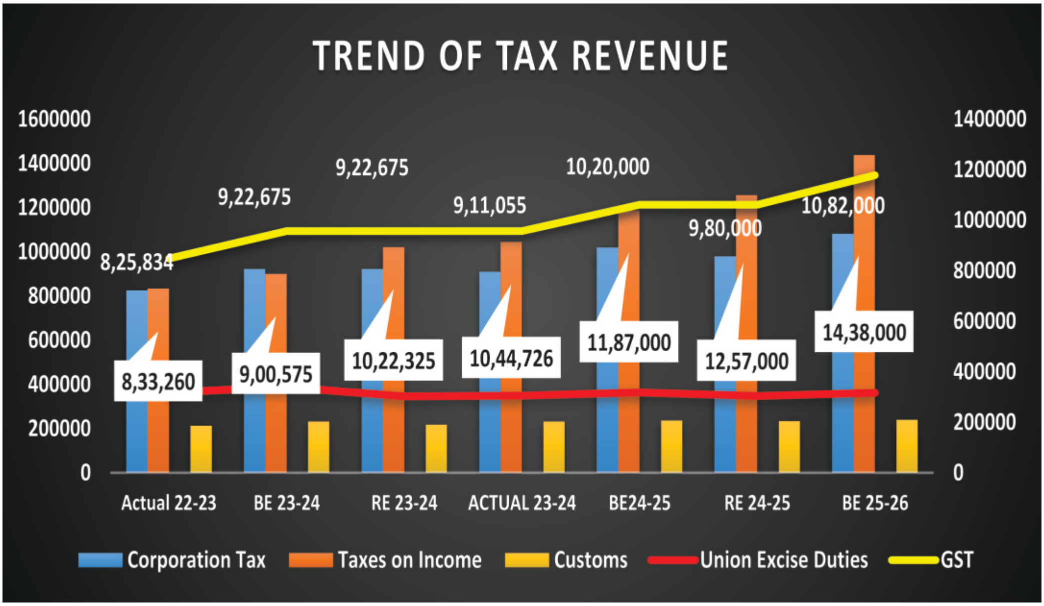
Amount in ₹ Crore



32. **Revenue Receipts**. In BE 2025-26, gross tax revenue (GTR) is estimated at ₹ 42.70 lakh crore. It represents a growth of 10.8 per cent over RE 2024-25 with an implied tax buoyancy of 1.07. Direct Taxes at ₹ 25.20 lakh Crore are the major contributor to GTR (59.0 per cent of GTR). Indirect taxes are estimated at ₹ 17.40 lakh Crore. In BE 2025-26, the GTR to GDP ratio is estimated at 12.0 per cent (₹ 34.20 lakh Crore), which is 0.1 percentage point higher than the RE of 2024-25. After accounting for tax devolution to States, the Tax Revenues (Net to Centre) are projected at ₹ 28.37 lakh Crore.

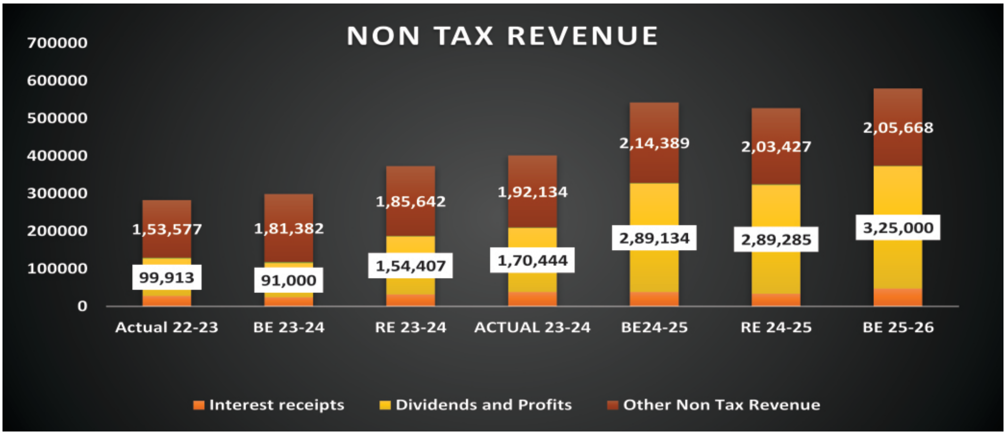
33. **Analysis of Tax Receipts**. The contribution of direct taxes (Income tax, Corporate tax etc) as against indirect taxes (GST, Excise, Customs etc) has shown a consistent increase. While overall tax receipts are pegged at 12% of GDP (highest as % to GDP since 2016-17), the contribution of indirect taxes despite the implementation of GST remains in the range of 4.7% to 5.6% whereas direct taxes share increased to 7.1% of GDP from 4.8% in FY 20-21. The inter-se contribution of tax revenue through income tax is the largest followed by GST and Corporate taxes respectively. Till 2022-23, corporate tax collections were higher than income tax, with the introduction of the new regime for personal taxes, simplification of tax structure and reduction in the number of deductions, income tax is now contributing more towards Govt tax revenue.

Amount in ₹ Crore



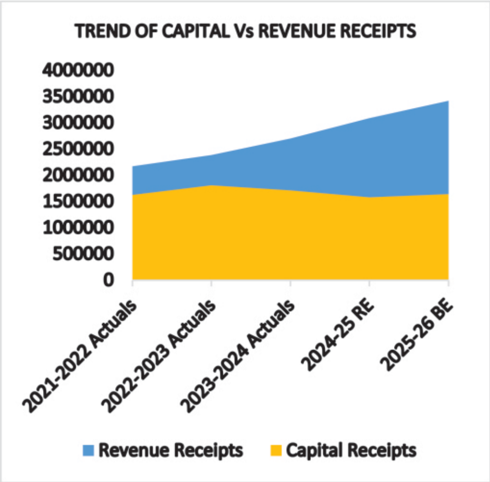
34. **Non-Tax Revenue**. In BE 2025-26, the central government's non-tax receipts are projected at ₹ 5.83 lakh crore. The comparative trend of tax and non-tax receipts since FY 21-22 shows a slight reduction in the percentage contribution of tax revenue compared to non-tax revenue. Govt is expecting higher non-tax revenue through Dividends and Profits with an expected increase of 12% in FY 25-26.

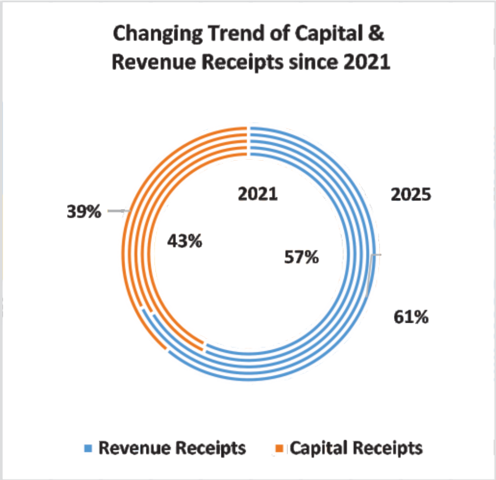
Amount in ₹ Crore



35. **Capital Receipts**. In BE 2025-26, the Non-Debt Capital Receipts (comprising of recovery of loans & advances and other miscellaneous capital receipts) are estimated at ₹ 76,000 crore. However, the actual realisation of other miscellaneous capital receipts depends on the prevailing market conditions during the year. Govt is consistently relying on revenue receipts for its expenditure and reducing dependency on capital receipts is a positive sign.

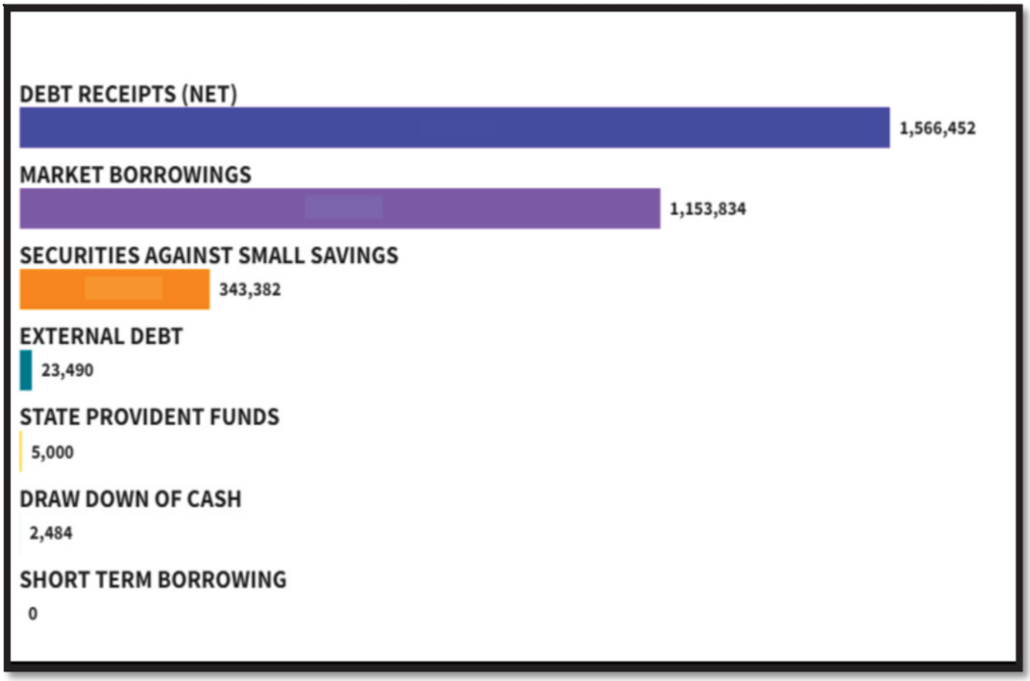
Amount in ₹ Crore





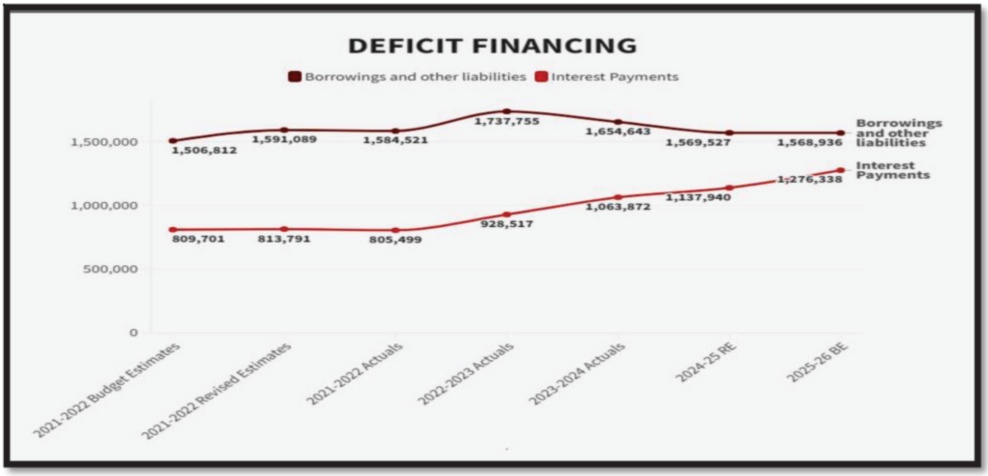
36. **Receipts through Borrowings**. In BE 2025-26, Net Market borrowings by the GoI are budgeted at ₹11.54 lakh crore as compared to ₹ 11.63 lakh crore in BE 2024-25. As of 27 Jan 25, net market borrowings during FY 2024-25 stand at 86.05% (₹ 10.06 lakh Crore) as against BE 2024-25. Further, to improve the debt maturity profile and better manage redemption pressures, the government adopted an active debt management strategy through the switching of securities.

Borrowings Profile (BE 25-26) Amount in ₹ Crore



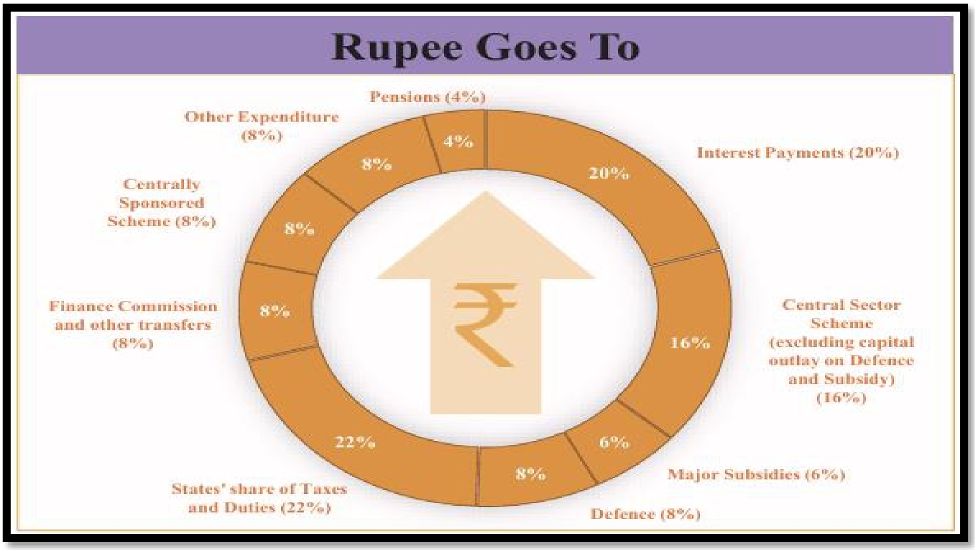
37. **Cost of Borrowings**. The Weighted Average Maturity (WAM) of securities in FY 2024-25 has increased to 20.65 years vis-à-vis 18.09 years in FY 2023-24 and 16.05 years in FY 2022-23. Increasing the tenure of the dated securities is creating long-term liability, going forward in a declining interest rate scenario, it is not a positive sign. However, the Weighted Average Yield (WAY) of securities in FY 2024-25 moderated to 6.97% from 7.24% in FY 2023-24 and 7.32% in FY 2022-23 which is a positive. The trend of borrowings and interest payments since 2021-22 as a part of Deficit financing is shown in the graph.

Amount in ₹ Crore



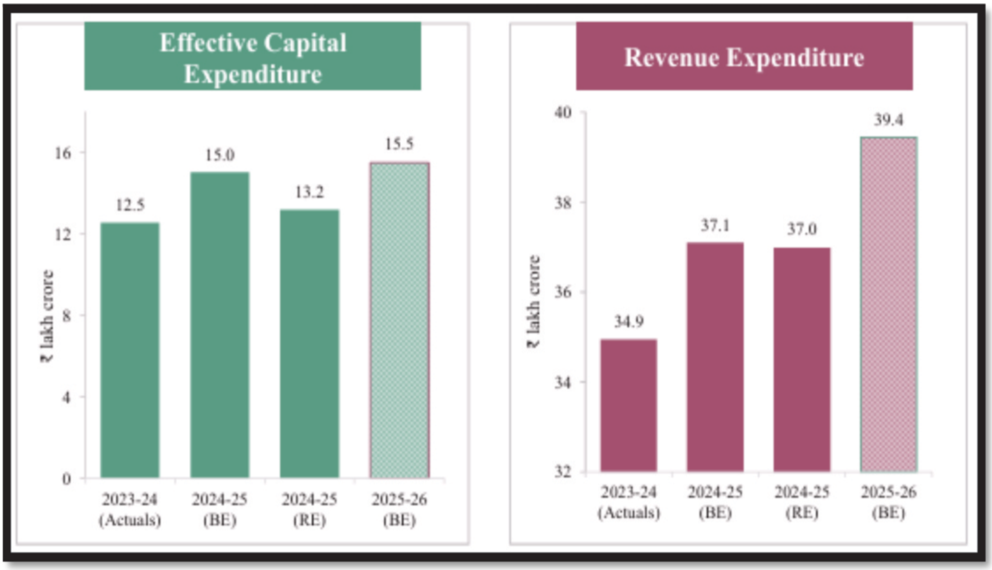
Source: Based on Various Union Budgets

Analysis of Expenditure

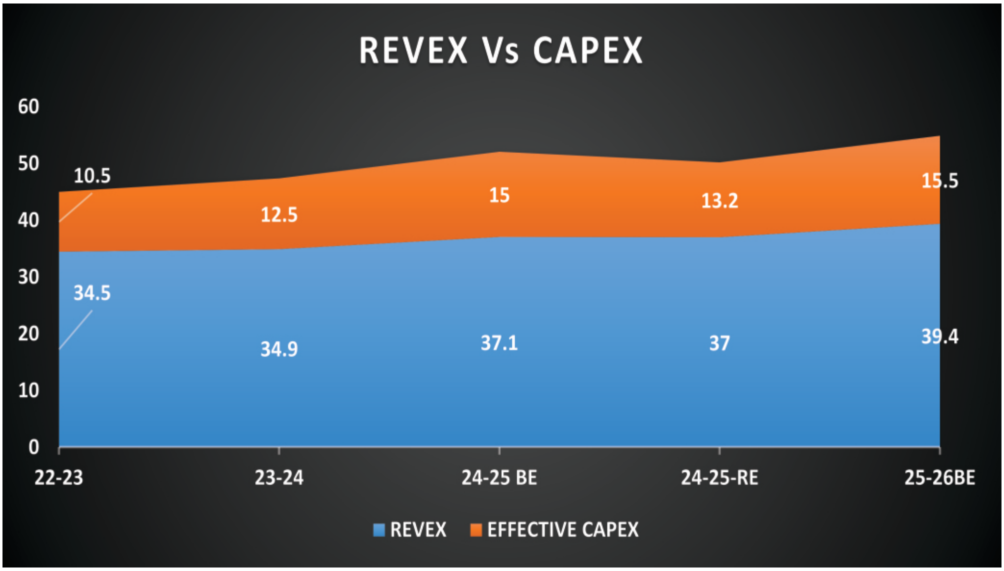


38. **<u>Expenditure Profile</u>**. The total expenditure of the Central Government in BE 2025-26 is pegged at ₹ 50.65 lakh crore (14.2 per cent of GDP) recording a growth of 7.4 per cent over ₹ 47.16 lakh crore provided in RE 2024-25. The effective capital expenditure in FY 2025-26 is estimated at ₹15.48 lakh crore (or 4.3 per cent of GDP). The Revenue Expenditure for BE 2025-26 has been estimated at ₹ 39.44 lakh crore. This translates into 11 per cent of GDP in BE 2025-26

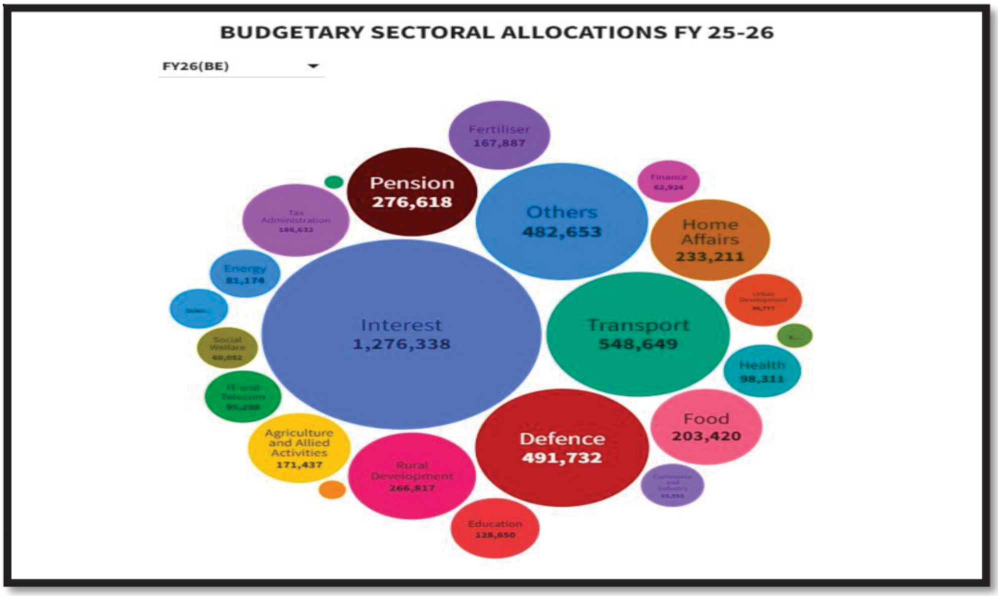
Amount in ₹ lakh Crore



Amount in ₹ lakh Crore



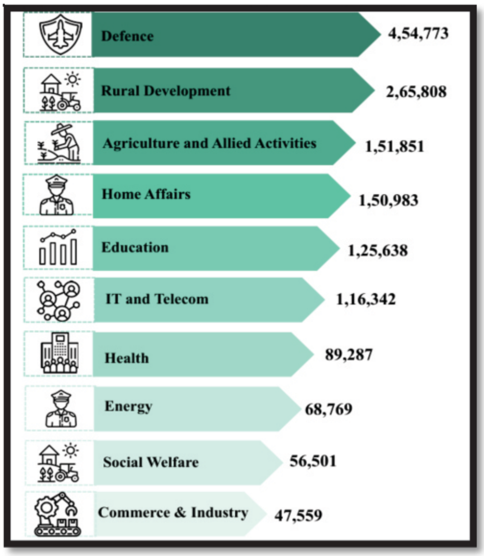
39. **Budgetary Allocations to Key Sectors (BE FY 25-26)**. The sectoral allocations as per BE is as shown below with the highest allocation towards Interest, Transport and Defence.



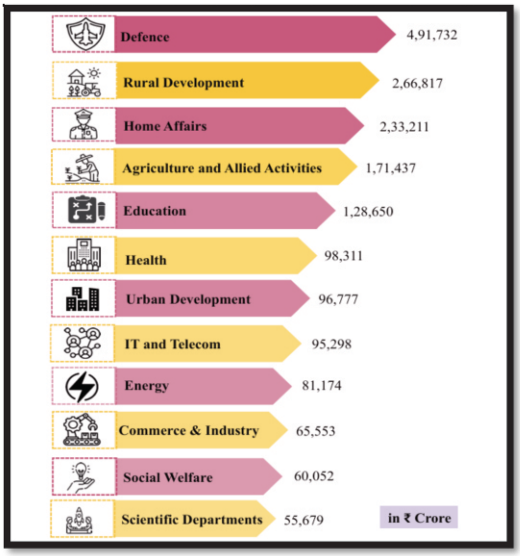
Source: Based on Union Budget 25-26

COMPARATIVE ALLOCATIONS TO KEY SECTORS AT GLANCE

FY 2024-25

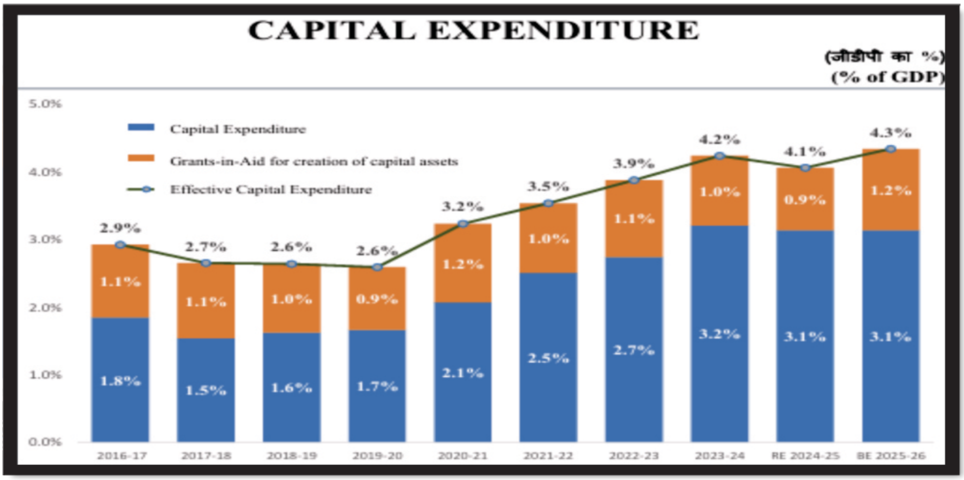


FY 2025-26

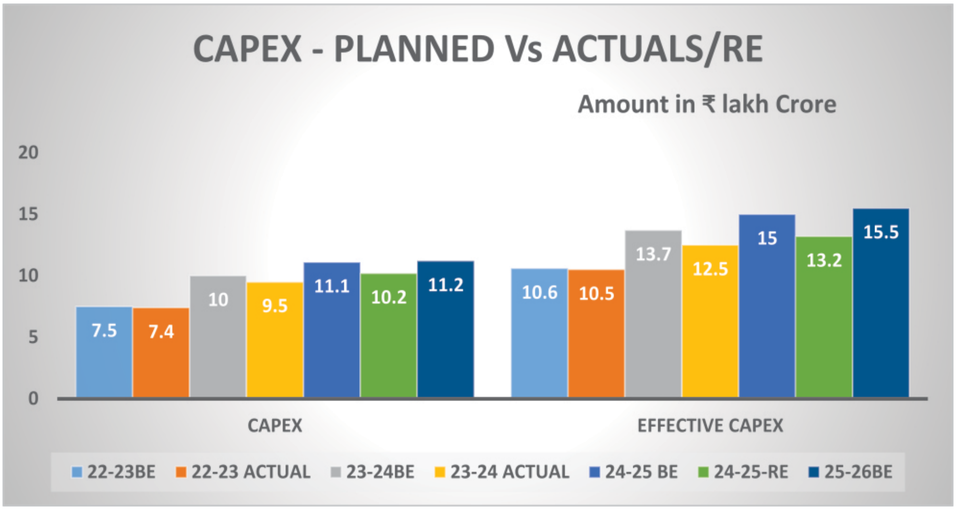


Source: Based on Union Budget 24-25 and 25-26

Trend of Capital Expenditure (Capex)

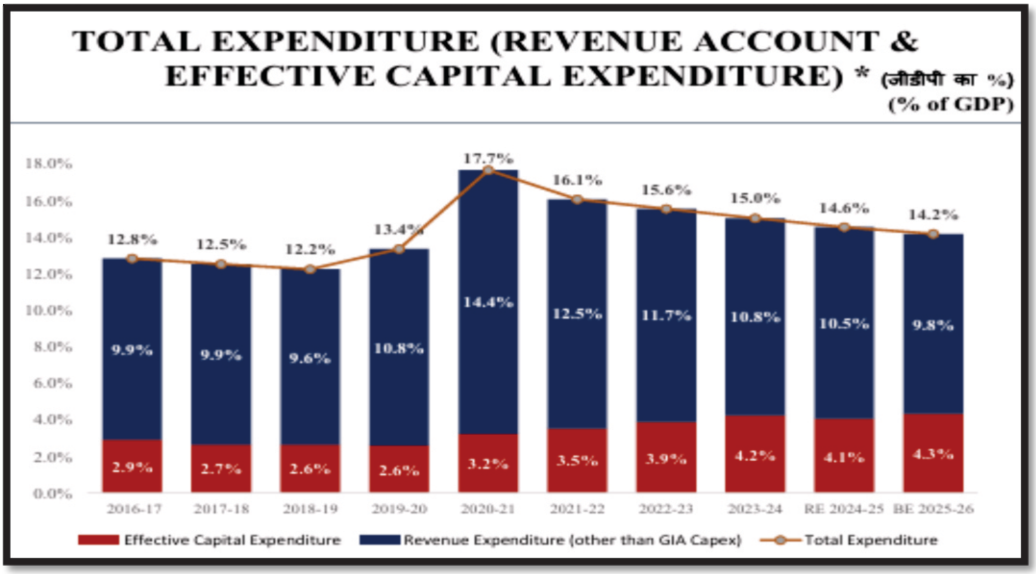


Source: Budget at Glance, 25-26

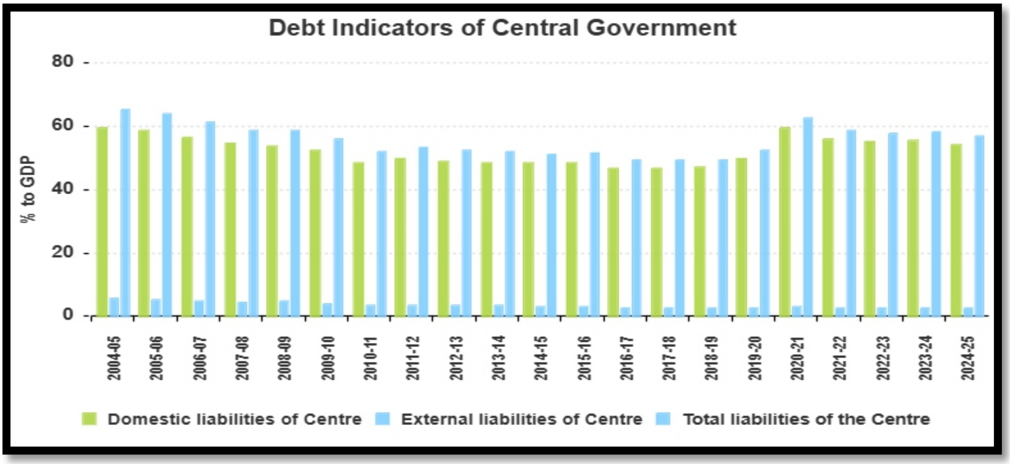


40. The Budget for FY 2025-26 allocates ₹ 11.21 lakh crore (3.1 per cent of GDP) towards capital expenditure. It includes capital support to States through interest-free long-term loans with an outlay of ₹ 1.50 lakh crore. The budgeted capital outlay is almost 3.3 times the outlay in FY 2019-20. In BE 2025-26, the allocation under Grants-in-aid for the creation of capital assets is projected at ₹ 4.27 lakh crore (or 1.2 per cent of GDP). Thus, the effective capital expenditure in FY 2025-26 is estimated at ₹ 15.48 lakh crore (or 4.3 per cent of GDP). **While there has been continuous impetus on Capex due to its multiplier effect on the economy, Govt is unable to utilise budgeted Capex year after year both in terms of expenditure by Central Govt and as Grants in aid for capital expenditure to State Govt.**

Revenue Expenditure (Revex)

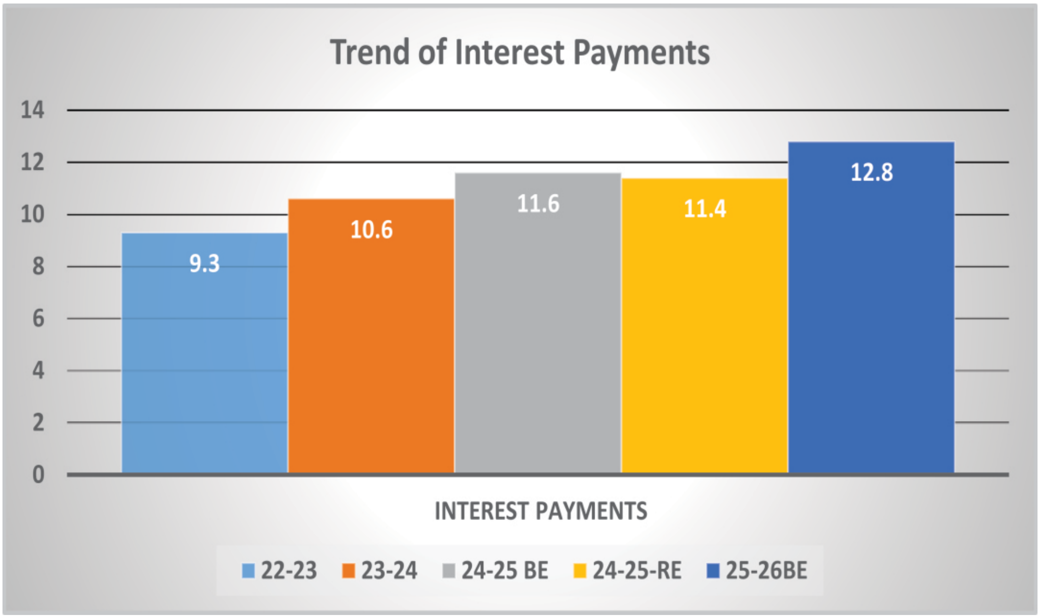


41. The Revenue Expenditure for BE 2025-26 has been estimated at ₹ 39.44 lakh crore. This translates into 11.0 per cent of GDP in BE 2025-26, compared to 11.4 per cent in RE 2024-25. Major sources of expenditure include Interest payments, Pensions, Subsidies and Payments to States.



Source: RBI

Amount in ₹ lakh Crore

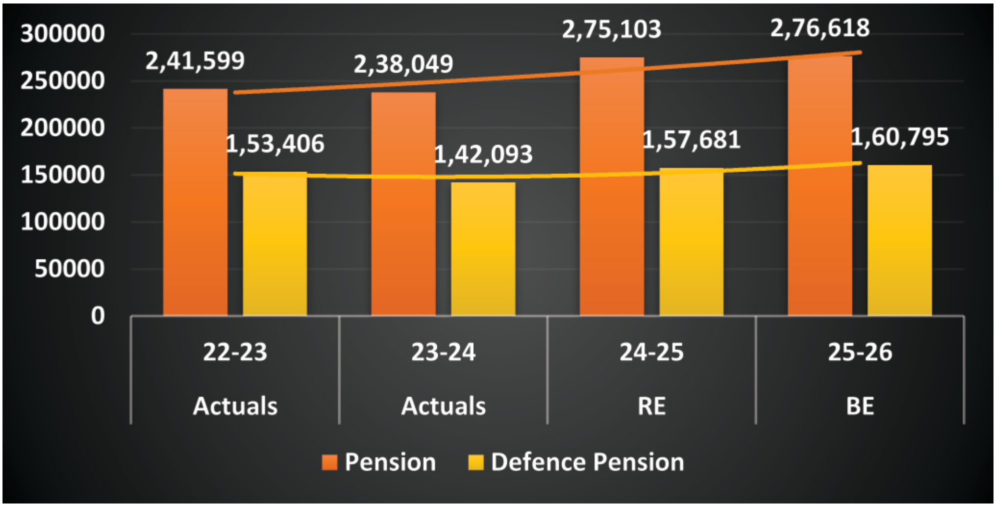


Source: Union Budget 25-26

42. **<u>Subsidies</u>**. Major subsidies, which include food (₹ 2.03 lakh crore), fertiliser (₹ 1.68 lakh crore), and petroleum (₹ 0.12 lakh crore), are estimated at ₹ 3.83 lakh crore in BE 2025-26. Major subsidies at 1.1 per cent of GDP account for 9.7 per cent of Revenue Expenditure in BE 2025-26.

43. **<u>Pensions</u>**. Pension commitment of the Union Government (for both civilian and defence together) is estimated at ₹ 2.77 lakh crore in BE 2025-26 (or 0.8 per cent of GDP) compared to ₹ 2.75 lakh crore in RE 2024-25 (0.8 per cent of GDP). The Pension payments are spread across the four Government of India Demands for Grants viz, Defence (Pensions), Civil (Pensions), Telecommunications and Department of Health & Family Welfare. The trend of overall pension expenditure for government vs. defence pensions is shown in the graph.

Amount in ₹ lakh Crore



Other Important Changes in Budget

44 **Reduction in BCD on Life Saving Medicines**. To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, 36 lifesaving drugs and medicines are to be fully exempted from Basic Customs Duty (BCD). In addition, 6 lifesaving medicines to attract concessional customs duty of 5%.

45. **Shipbuilding**. Considering that shipbuilding has a long gestation period, it is proposed to continue the exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships for another ten years and the same dispensation is applicable for shipbreaking to make it more competitive.

Key Takeaways

✓ **The total expenditure in 2025-26 is pegged at ₹ 50.65 lakh crore (14.2% of GDP) recording a growth of 7.4%.**

✓ **Revex is estimated at ₹ 39.44 lakh crore (11% of GDP).**

✓ **Capex is pegged at ₹ 11.21 lakh crore (3.1% of GDP).**

✓ **The contribution of Direct taxes (7.1% of GDP) as against indirect taxes (5.6% of GDP) has shown a consistent increase.**

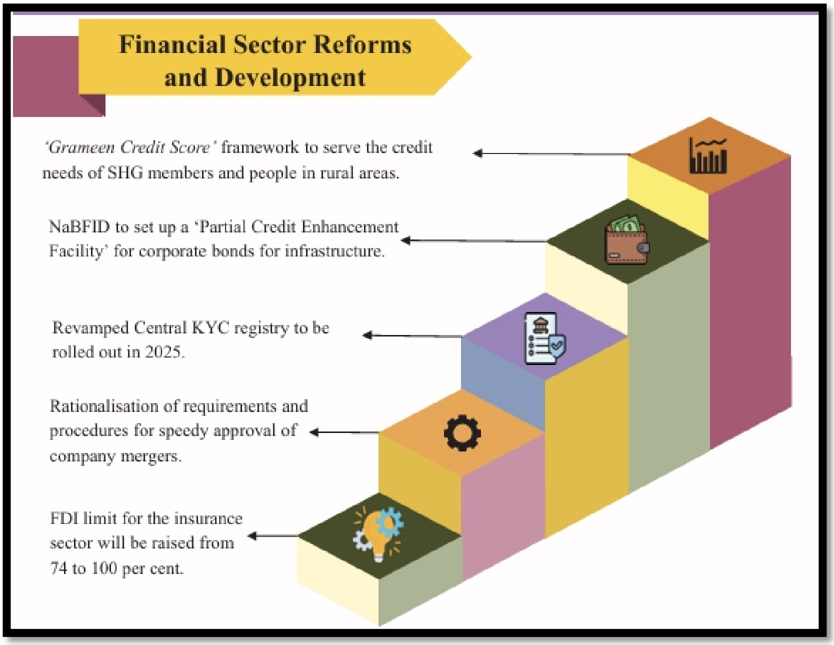
✓ **Govt is expecting higher non-tax revenue through Dividends and Profits with an expected increase of 12% in FY 25-26.**

✓ **Govt is consistently relying on revenue receipts for its expenditure and reducing dependency on capital receipts for Central Govt expenditure.**

✓ **The trend of increasing tenure of the securities and moderating yields has been visible for the last two years.**

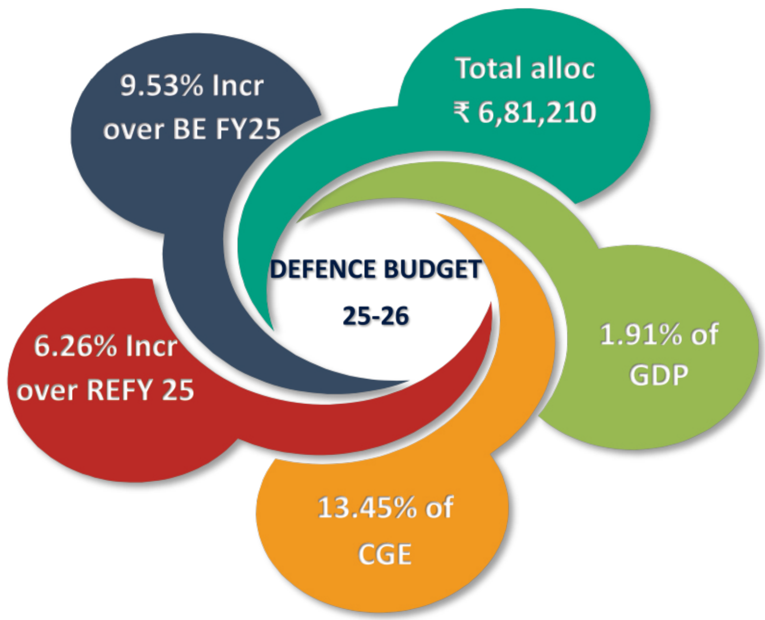
✓ **The Govt has now set the fiscal deficit in each year (from FY 2026-27 till FY 2030-31) such that the Central Govt debt is on the declining path to attain a debt to GDP level of about 50±1 percent by 31 March 31.**

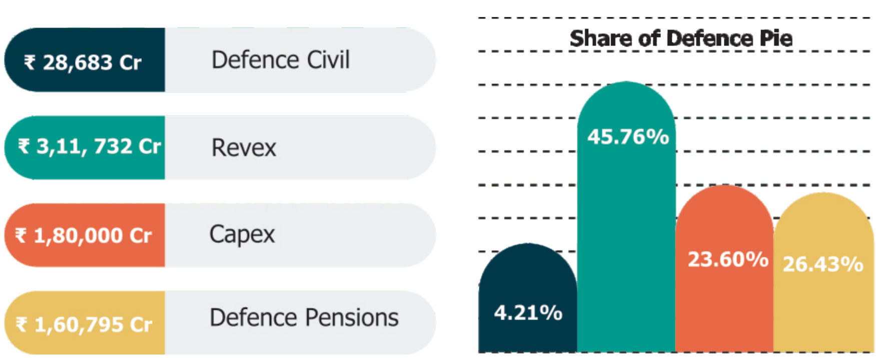
✓ **Continuous impetus on Capex due to its multiplier effect on the economy, however, Govt could not utilise budgeted Capex year after year.**



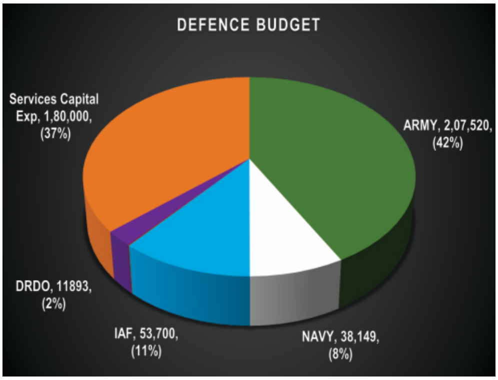
CHAPTER 4 – BUDGET FOR DEFENCE

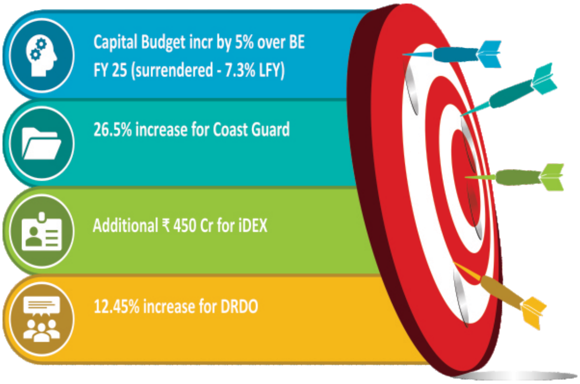
46. **Overview**. The finance minister allocated ₹ 6,81,210 crore for 2025-26 for the Ministry of Defence (MoD). As a proportion of Gross Domestic Product (GDP), MoD allocation is 1.9% and remains broadly unchanged from the previous year. According to the latest available data from the SIPRI, the United States spent 3.4 per cent of its GDP on defence, while China allocated an estimated 1.7 per cent. The allocation reflects a 6.26 per cent increase over the RE of FY25 and a 9.53 per cent rise compared to the BE of FY25. In real terms, the increase is 4.49% over BE FY 24-25 after adjusting for inflation of 5.04%. The allocation accounts for 13.45 per cent of the overall FY26 national budget, the highest among ministries.





Amount in ₹ Crore

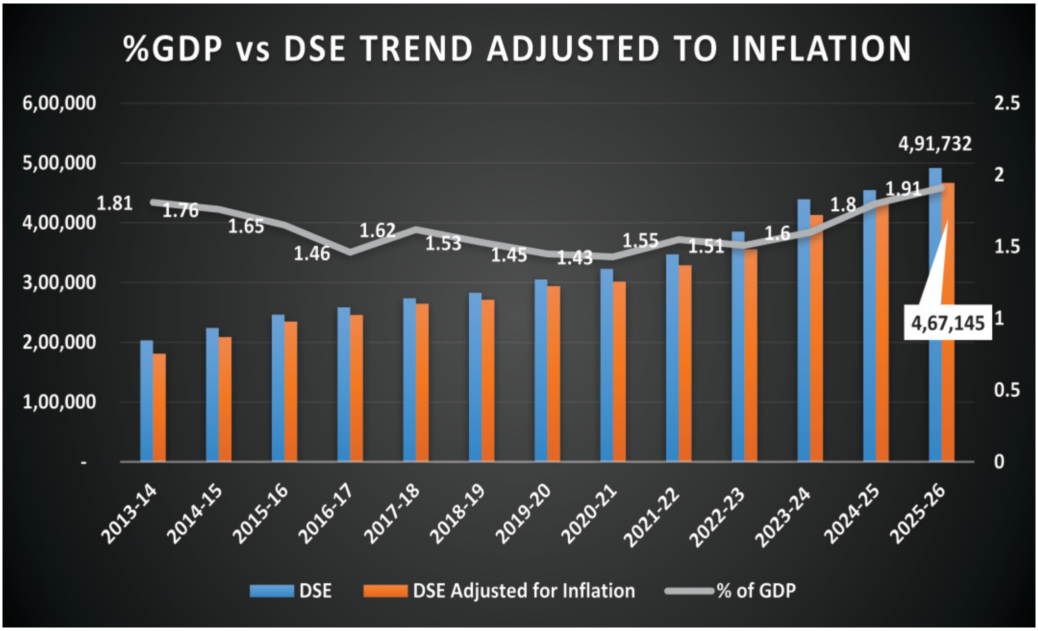




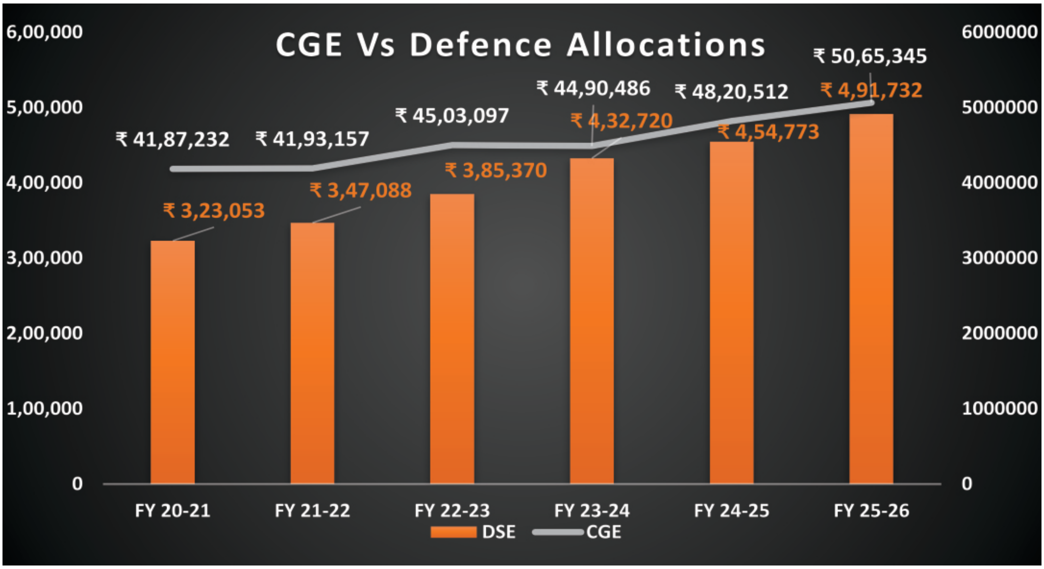
Trend Analysis

47 Trend analysis suggests that the highest increase in allocation is towards Defence Pensions (13.87%) against the BE FY25 and the least increase is towards Capex (4.62%). Salaries and pensions account for 50% of the estimated spending on defence in 2025-26. As compared to 18.43% increase in FY 24-25, the Capital outlay shows an increase in allocation by 12.85% against the RE since services could spend only ₹ 1,57,681 Cr against the allocated ₹ 1,72,000 Cr.

Amount in ₹ Crore



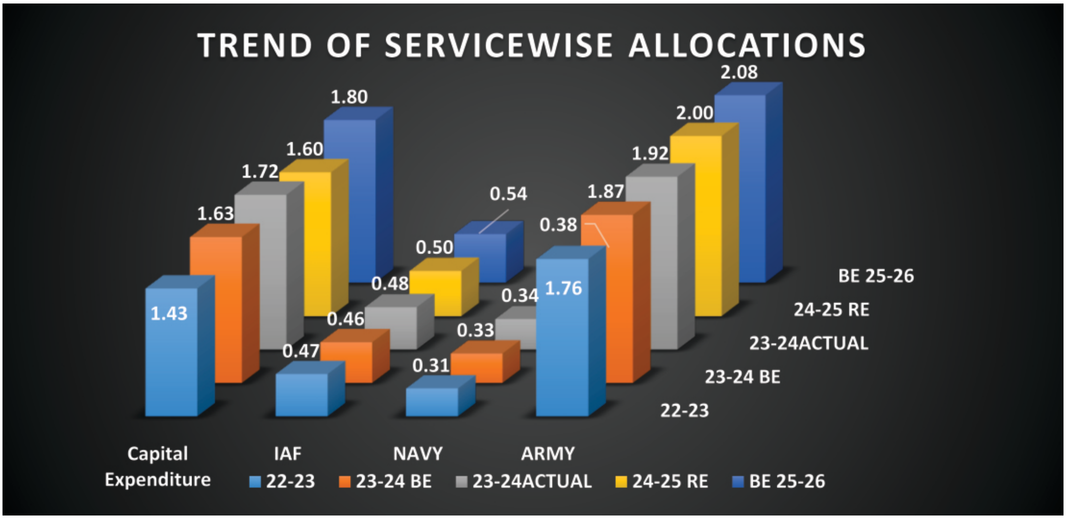
Amount in ₹ Crore



Allocations to Services

48. Trend of service-wise allocations since 22-23 has shown an increase in percentage allocation for Capex while Revenue allocations for services are increasing at a slow pace. Under the Salary Head, ₹ 1,97,317 Crore (40% of DSE) has been allocated and ₹ 1,14,416 Crore (23% of DSE) has been allocated on account of non-salary expenditure which will facilitate sustenance.

Amount in ₹ lakh Crore



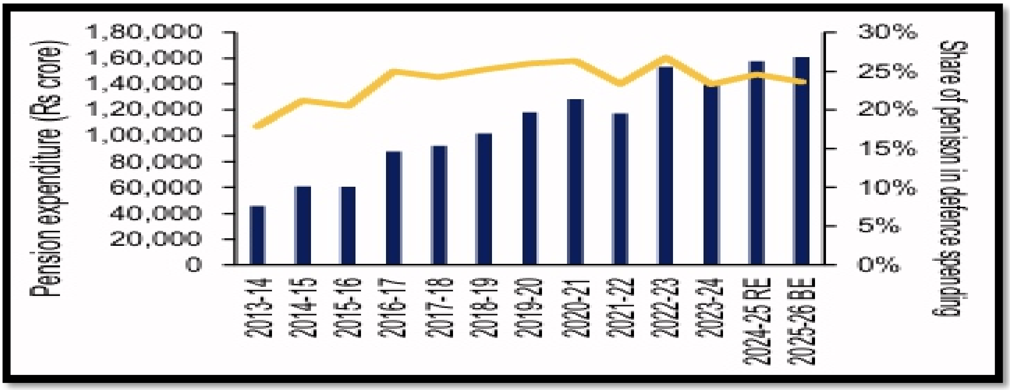
49. On Revenue Head, the allocation for the Armed Forces stands at ₹ 3,11,732.30 crore which is 45.76% of the total allocation, with the Army being allocated ₹ 2.08 lakh Crore (69%), Navy ₹ 0.38 lakh Crore (13%) and Air Force ₹ 0.54 lakh Crore (18%).

50. As far as Capex is concerned, actual utilisation of Capital outlay for FY 24-25 is not available however, as per RE 2024-25, three services would be able to utilise ₹ 1,59,500 Crore as against the allocation of 1,72,000 (7.3% less than the allocated amount).

51. **Pensions**. Considering elements of expenditure under Defence Pension including OROP's third revision on Jul 24, ₹ 1.61 lakh Crore has been allocated for FY 2025-26, which is 13.87% higher than the allocation made during FY 2024-25. Between 2013-14 and 2025-26, defence pension has increased at an annual rate of 11%. This has been higher than the annual growth in total defence expenditure at 9%. In 2025-26, 24% of the total defence budget is estimated to be spent on pensions.

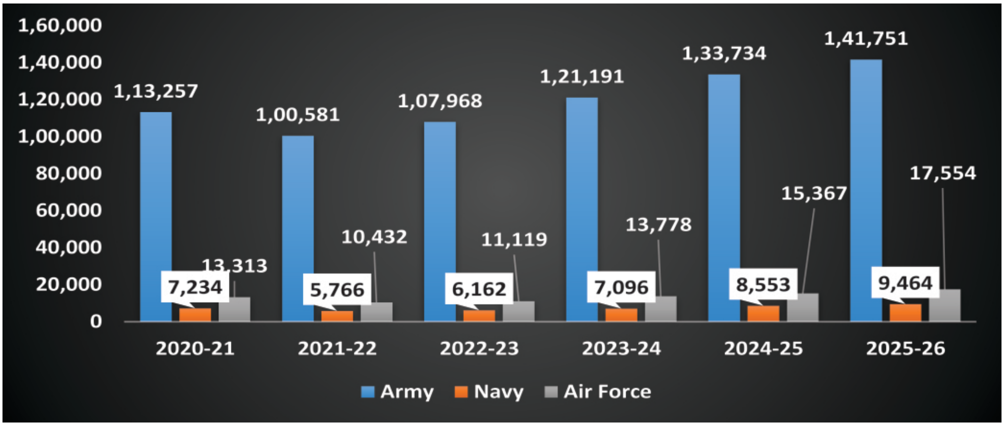
Trend of Overall Pensions Budget

Amount in ₹ Crore



Trend of Defence Pensions

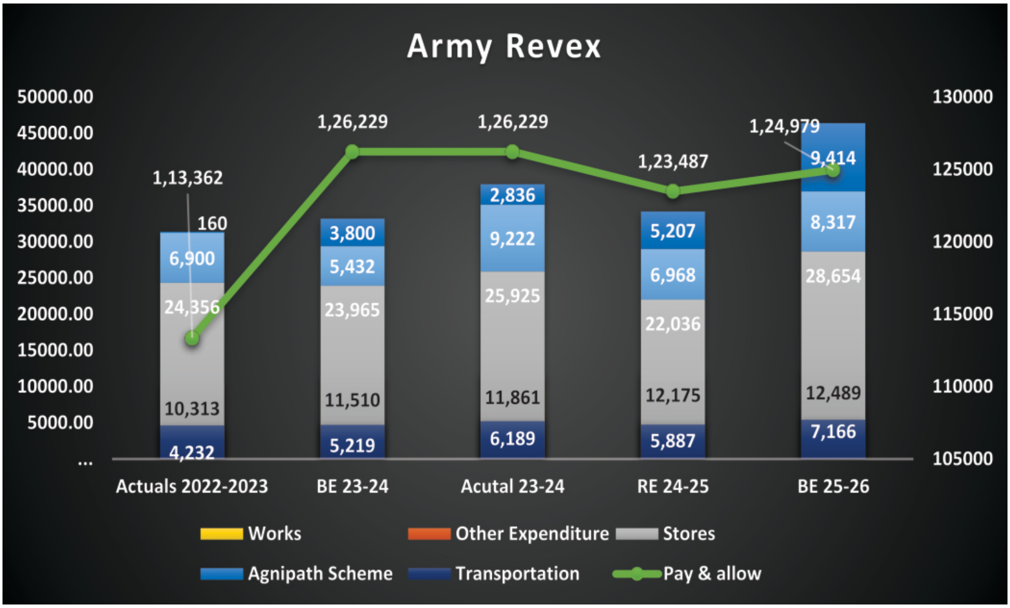
Amount in ₹ Crore



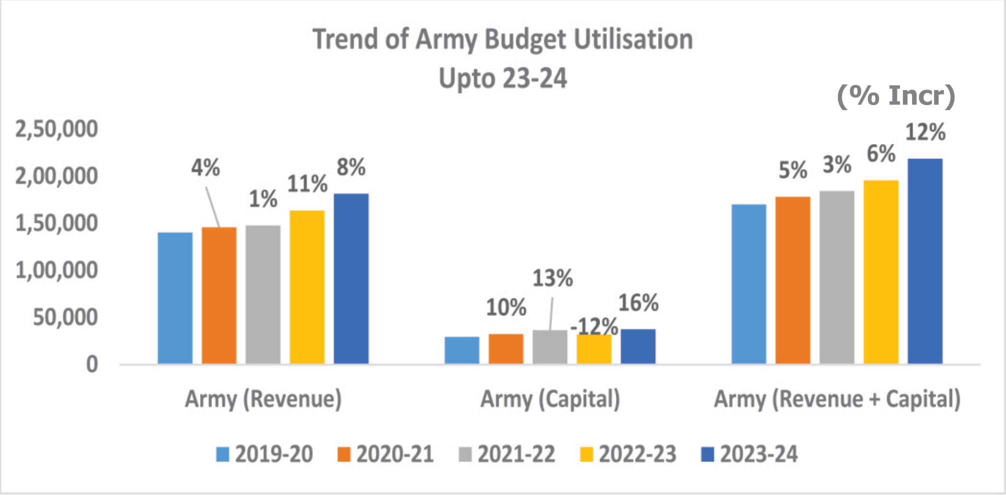
Analysis of Army Budget

52. There is an evident decrease in the percentage share of the revenue budget of the Army out of Defence Services Estimates from 46% in 2017-18 to 44% in 2025-26 and in capital budget share from 9.72% in 2017-18 to 8.63% till 2023-24.

Amount in ₹ Crore



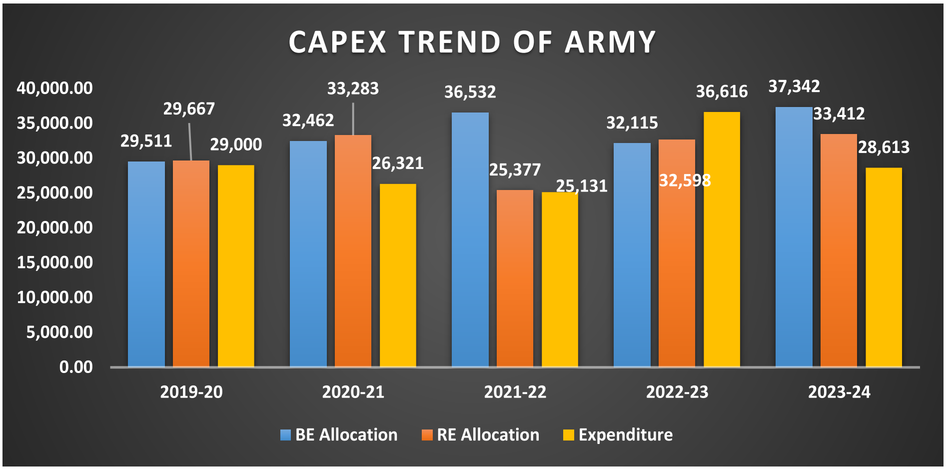
Amount in ₹ Crore



53. There has been a 50% increase in allocation for the Agnipath Scheme. In the ensuing FY, ₹ 8,317 Crore has been allocated towards ECHS which is 19.38% higher than BE of FY 2024-25. ECHS funding is part of the Army revenue Budget.

54. The overall share of the Army Budget as against the DSE has shown a reduction of 5% over a period from 2019 to 2024. The allocation for Revenue expenditure has stabilised from 46% in 2019-20 to 42% this year.

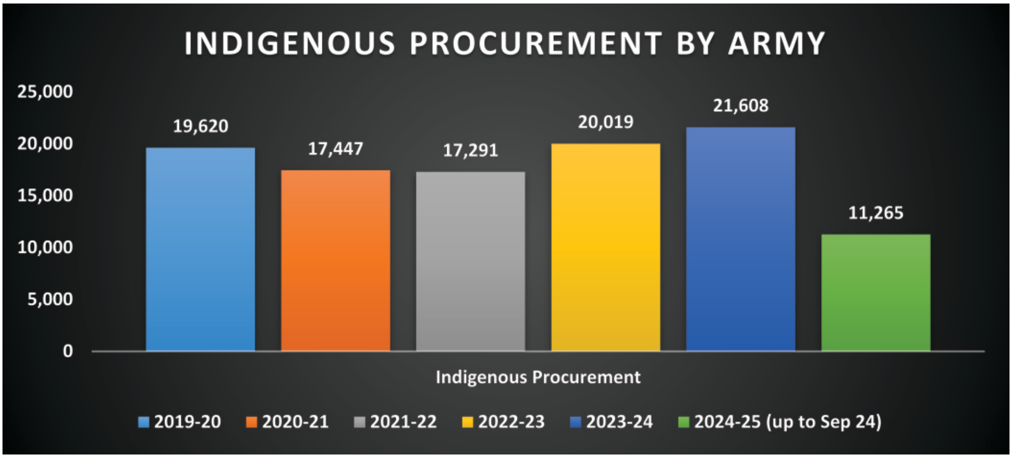
Amount in ₹ Crore



55. While the Army has been able to obtain AoNs worth ₹ 35,698 Cr in FY 23-24 and ₹ 61,534 Cr (up to Sep 24) for its Capital Expenditure, conversion of these AoNs to final contracts remains a challenge.

2023-24		2024-25 (up to Sep,2024)	
No. of AoN	Value (Rs. in Cr)	No. of AoN	Value (Rs. in Cr)
19	35,698.55	5	61,534.23

Amount in ₹ Crore

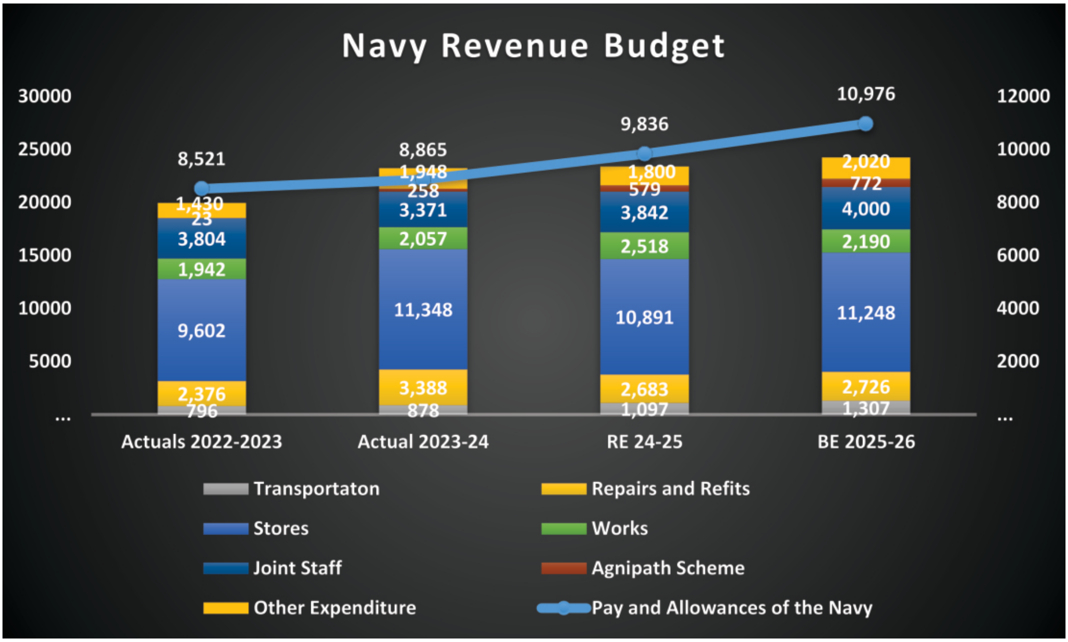


56. India continues to be the largest importer of arms in the world, however, the share of foreign sources in defence modernisation has reduced.

Analysis of Navy Budget

57. The percentage share of the Navy's revenue budget out of Defence Services Estimates has increased from 7.28 per cent in 2019-20 to 7.76 per cent in 2025-26.

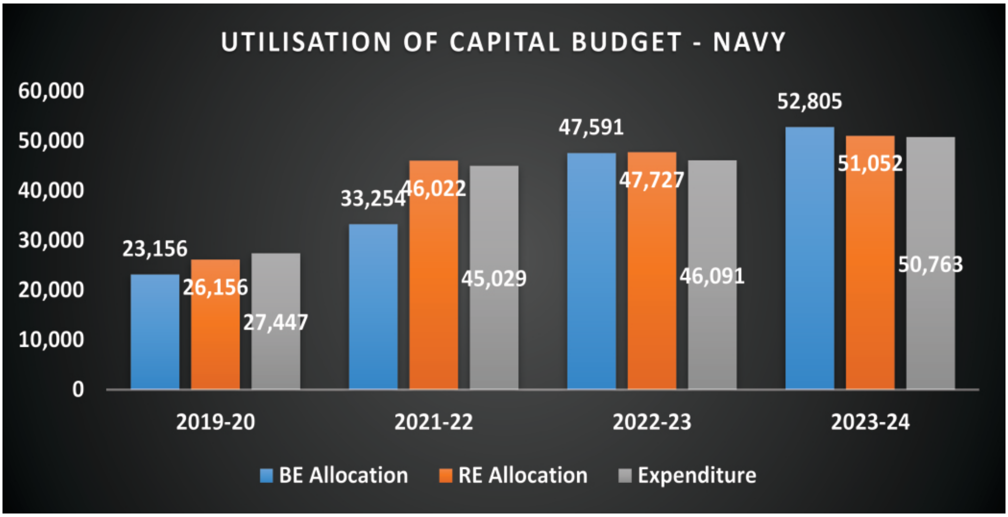
Amount in ₹ Crore



58. While there has been a general increase in the Revex for establishment expenditure, allocations for repairs & refits and works remain more or less static.

59. **Coast Guards**. Coast Guards allotment of ₹ 9,676.70 crore under Capital and Revenue Head is 26.50% more than the allocation for FY 2024-25 at BE stage. This increase is primarily in line with the focus of the Government on the capability development of Coast Guards and equipping them with modern equipment. **A jump of 43% in Capital Budget i.e. from ₹ 3,500 Crore for FY 2024-25 to ₹ 5,000 Crore for FY 2025-26 will provide adequate financial space for the acquisition of Advanced Light Helicopters (ALH), Dornier Aircraft, Fast Patrol Vessels (FPVs), Training Ships, Interceptor Boats etc.** On revenue head, the allocation has been increased from ₹ 4,152 crore for FY 2024-25 to ₹ 4,677 crore for FY 2025-26 which shows an increase of 12.64%.

Amount in ₹ Crore

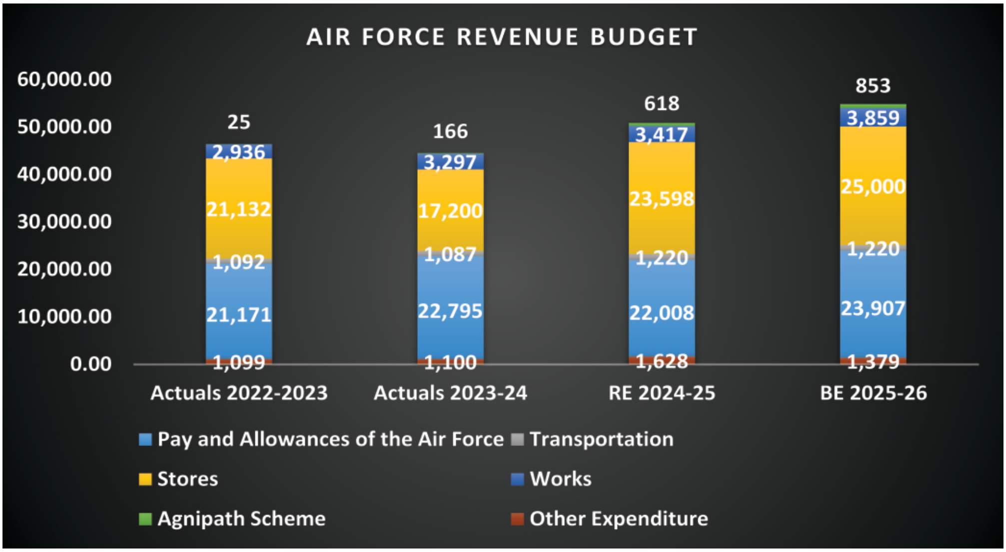


60. There has been a consistent increase in the allocations/expenditures in respect of the Navy under the Capital Budget from FY 2019-20. However, in most of the years, the actual expenditure has been less than the RE stage allocation.

Analysis of Air Force Budget

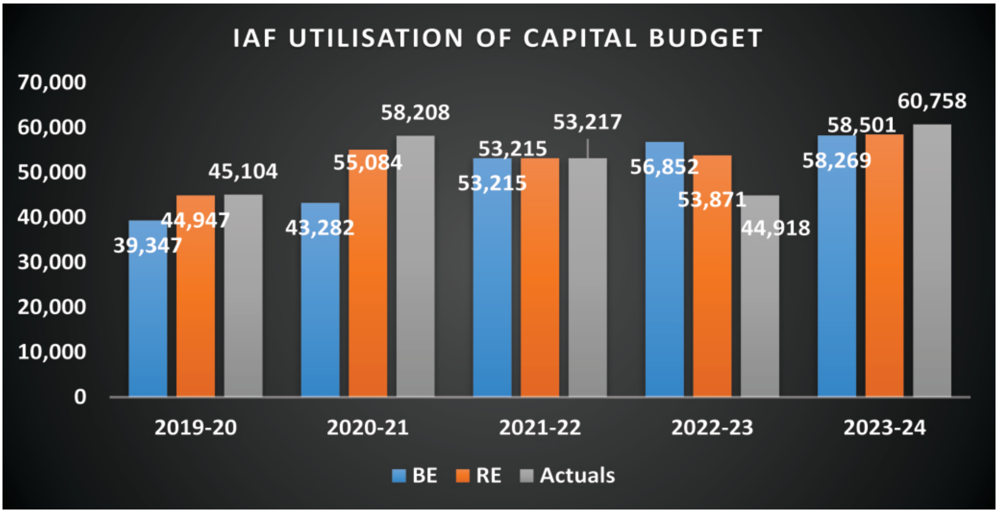
61. In the case of IAF, the percentage share of the revenue budget out of Defence Services Estimates has increased from 9.70 per cent in 2019-20 to 10.92 per cent in 2025-26.

Amount in ₹ Crore



62. Allocations for Major expenditures (other than Salary head) have increased for IAF since 2022-23. As compared to RE 2024-25, other expenditures however have shown a decline.

Amount in ₹ Crore



63. The allocated funds for Capex were optimally utilized by IAF and it was able to utilise additional funds allocated at the RE stage except in the case of 2022-23.

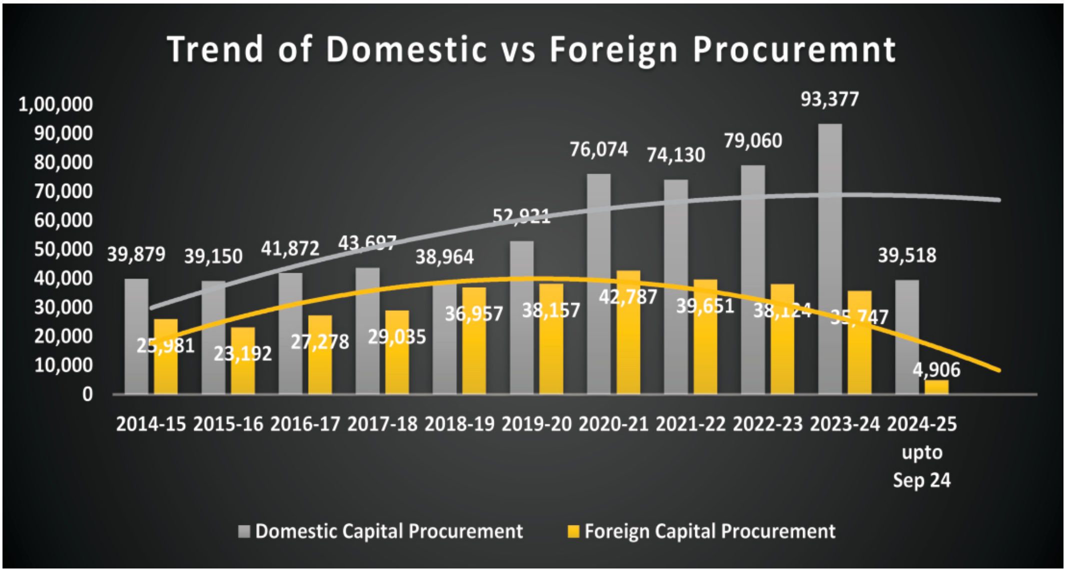
Other Important Allocations

64. **DRDO**. The budgetary allocation to DRDO has been increased to ₹ 26,817 Crore in FY 2025-26 from ₹ 23,856 Crore in FY 2024-25 which is 12.41% higher than the BE of 2024-25. Out of this, a major share of ₹ 14,923.82 Crore has been allocated for capital expenditure and to fund the R&D projects. The increased allocation under Capital Head of DRDO will further provide adequate financial resources in funding the projects to be taken up in collaboration with private parties through the flagship scheme of DRDO i.e. Technology Development Fund and will assist the development of Deep Technology in the defence sector.

65. **Encouragement to Defence Startups for Innovation**. ₹ 449.62 Crore has been allocated to the iDEX scheme, including its sub-scheme Acing Development of Innovative Technologies with iDEX (ADITI) to be utilised for funding the projects to be taken up under this scheme. Allocation in this head shows a jump of almost three times in two years.

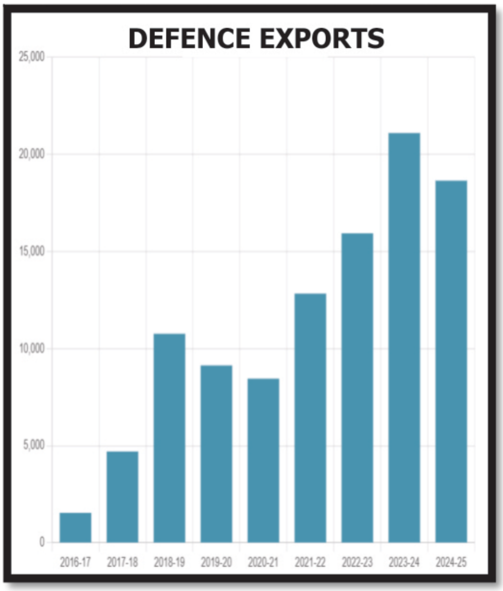
66. **BRO**. To further improve the border Infrastructure and facilitate the movement of Armed Forces personnel through tough terrains, ₹ 7,146.50 crore has been allocated to the Border Roads Organisation (BRO) under capital head which is 9.74% higher than the BE of 2024-25.

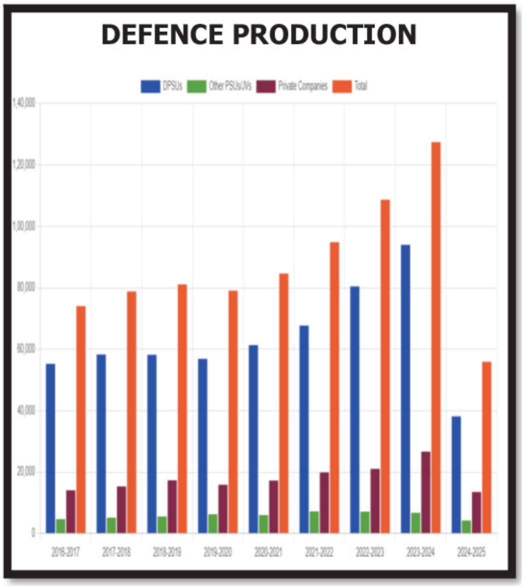
Trend of Domestic and Foreign Procurement



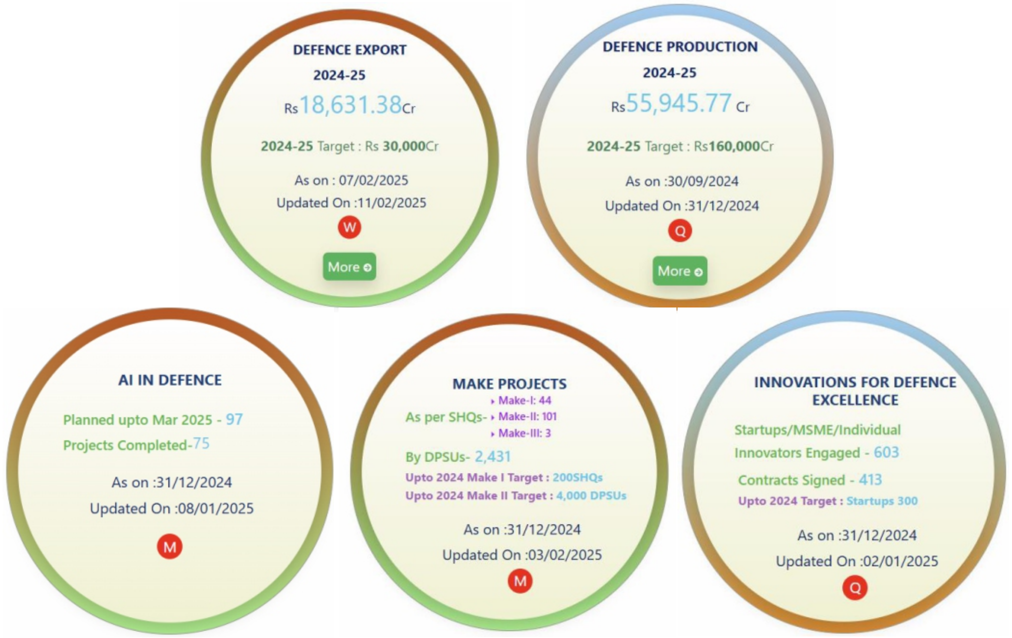
67. To encourage the private sector for manufacturing and technological development in the defence sector, a notable percentage of domestic share is further earmarked for acquisition from domestic private industries. Accordingly, for FY 2025-26, ₹ 1,11,545 crore i.e. **75% of the modernisation budget has been earmarked for procurement through domestic sources and 25% of domestic share i.e. ₹ 27,886 crore has been provisioned for procurement through domestic private industries.**

68. **Defence Exports**. Between 2016-17 and 2023-24, defence exports have increased at an annual growth rate of 46%. This has largely been driven by the increase in defence exports by private companies. In 2023-24, India's defence exports were at ₹ 21,083 crore. The Govt aims to achieve defence exports worth ₹ 35,000 Crore by 2025 and ₹ 50,000 crore by 2028-29. For achieving defence exports worth ₹ 35,000 crore by the end of 2024-25, exports would have to grow by 66% over 2023-24. While defence exports have increased, India accounts for a minuscule share of the global volume of arms exports. The trend of Defence production and exports is as shown in the graph.





DDP DASHBOARD



69. **<u>Reforms</u>**. The MoD has decided to observe 2025 as the **'Year of Reforms'.** According to the Ministry, this would aim to transform the armed forces into a technologically advanced and combat-ready force. The areas identified for focused intervention in 2025 include:-

(i) Bolstering jointness and integration to facilitate the setting up of integrated theatre commands.

(ii) Focusing on new domains such as cyber and space, artificial intelligence, and robotics.

(iii) Simplifying acquisition procedures.

(iv) Facilitating technology transfer and knowledge sharing between the defence sector and civil industries.

<u>Key Take Aways</u>

✓ **₹ 6,81,210 crore for 2025-26 for the Ministry of Defence (MoD). ₹ 1,80,000 crore allocated for Capex and ₹ 3,11,732.30 crore for Revex.**

✓ **75% of the modernisation budget has been earmarked for procurement through domestic sources and 25% of domestic for procurement through domestic private industries.**

✓ **Inflation-adjusted DSE works out to be 1.6% of GDP as against a nominal rate of 1.91%.**

✓ **As a percentage of CGE, defence allocations have increased from 11.26% in FY 20-21 to 13.45% in FY 25-26.**

✓ **Share of the budget for the Army out of DSE is showing a declining trend while it is increasing for the Navy and Air Force due to Capex.**

✓ **12.45% increase in Budget for DRDO.**

✓ **In 2025-26, 24% of the total defence budget is estimated to be spent on pensions.**

✓ **The MoD has decided to observe 2025 as the 'Year of Reforms'.**

CHAPTER 5 – IMPLICATIONS OF BUDGET ON PERSONAL FINANCE

70. Over the past 10 years, our Govt has implemented several reforms for the convenience of taxpayers, such as faceless assessment, taxpayers charter, faster returns, almost 99 per cent returns being on self-assessment, and Vivad se Vishwas scheme. Continuing these efforts, Govt proposed to introduce the new income-tax bill which is expected to reduce compliances and ease out interpretation of rules.

71. **Tax Deducted at Source (TDS) and Tax Collected at Source (TCS)**. The threshold limit of TDS on dividend income on mutual funds has increased from ₹ 5000 to ₹ 10000. With this, there will be no TDS on investors having dividend income of up to ₹ 10,000. The limit for a tax deduction on interest for senior citizens is being doubled from the present ₹ 50,000 to ₹ 1 lakh which is positive. Even though TDS is not applicable up to ₹ 1 lakh, tax on interest income is still applicable. Therefore, there is a need to self-assess tax as applicable. Both TDS and TCS are applied to any transaction relating to the sale of goods. To prevent such compliance difficulties, it is proposed to omit the TCS. The provisions of the higher TDS deduction will now apply only in cases where individuals do not possess PAN.

Section of the Act	Present TDS /TCS Threshold (Rs)	Proposed TDS /TCS Threshold (Rs)
193 - Interest on securities.	Nil	10,000/-
194A - Interest other than Interest on securities.	(i) 50,000/- for senior citizens. (ii) 40,000/- in case of others when the payer is bank, cooperative society and post office (iii) 5,000/ - in other cases.	(i) 1,00,000/- for senior citizen. (ii) 50,000/- in case of others when the payer is a bank, co-operative society and post office. (iii) 10,000/- in other cases
194 – Dividend, for an individual shareholder.	5,000/-	10,000/-
194K - Income in respect of units of a mutual fund or specified company or undertaking.	5,000/-	10,000/-

194-I Rent.	2,40,000/- during the financial year	50,000/- per month or part of a month
194J - Fee for professional or technical services.	30,000/-	50,000/-
206C(1G) – Remittance under LRS and overseas tour program package.	7,00,000/-	10,00,000/-

72. **Remittances for Education**. TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution is now not applicable.

73. **New Pension Scheme**. NPS Vatsalya, which is a pension scheme for minors, will get a deduction under section 80 CCD. This means, that if a parent opens an NPS Vatsalya account, he/she will get a tax deduction on investment of up ₹ 50,000 per annum in line with the regular NPS account.

74. **National Savings Scheme**. The Govt has made withdrawals from the National Savings Scheme (NSS) tax-free.

75. **House Property Income**. Presently tax-payers can claim the annual value of self-occupied properties as nil only on the fulfilment of certain conditions. Now an individual can hold up to two self-occupied properties without any condition. This means, there will be no taxation on the second house, which was earlier considered as let-out property for taxation purposes. The annual value of self-occupied house property is considered nil as against let-out property or deemed to be let out. In addition, the annual limit of ₹ 2.40 lakh for TDS on rent is being increased to ₹ 6 lakh. This will reduce the number of transactions liable to TDS, thus benefitting small taxpayers receiving small payments.

76. **Personal Tax under the new regime**. There will be no income tax payable up to income of ₹ 12 lakh (i.e. average income of ₹ 1 lakh per month other than special rate income such as capital gains) under the new regime. This limit will be ₹ 12.75 lakh for salaried taxpayers, due to the standard deduction of ₹ 75,000. Earlier, this only applied to income of up to ₹ 7 lakh. Slabs and rates are being changed across the board to benefit all taxpayers. 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.

Income tax slabs under new tax regime	
Current (FY2025-26)	
Income Tax Slabs (In ₹)	Income Tax Rate (%)
0 to 4 Lakh	NIL
4 to 8 Lakh	5%
8 to 12 Lakh	10%
12 to 16 Lakh	15%
16 to 20 Lakh	20%
20 to 24 Lakh	25%
Above 4 Lakh	30%

77. The total tax benefit of slab rate changes and rebates at different income levels can be illustrated with examples. A taxpayer in the new regime with an income of ₹ 12 lakh will get a benefit of ₹ 80,000 in tax (which is 100% of tax payable as per existing rates). A person having an income of ₹ 18 lakh will get a benefit of ₹ 70,000 in tax (30% of tax payable as per existing rates). A person with an income of ₹ 25 lakh gets a benefit of ₹ 1,10,000 (25% of his tax payable as per existing rates). Beyond ₹ 25 lakh, a benefit of ₹ 1,10,000 would be available.

Income	Tax on Slabs and rates		Benefit of	Rebate benefit	Total Benefit	Tax after rebate Benefit
	Present	Proposed	Rate /Slab	Full upto Rs 12 lacs		
8 lakhs	30,000	20,000	10,000	20,000	30,000	0
9 lakhs	40,000	30,000	10,000	30,000	40,000	0
10 lakhs	50,000	40,000	10,000	40,000	50,000	0
11 lakhs	65,000	50,000	15,000	50,000	65,000	0
12 lakhs	80,000	60,000	20,000	60,000	80,000	0
16 lakhs	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lakhs	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lakhs	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lakhs	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

78. **Rebate u/s 87A**. Under the old tax regime, the rebate remains ₹ 12,500 for income up to ₹ 5 lakhs. Under the New Tax Regime, individuals earning up to ₹ 12 lakhs can claim a rebate of ₹ 80,000.

79. **Voluntary Compliance**. It is proposed to extend the time limit to file updated returns, from the current limit of two years, to four years by voluntary compliance by taxpayers who had omitted to report their correct income.

80. The budget is expected to provide a major boost to consumption with massive reliefs on the income tax front for the lower and middle classes. At a time when the economic moment was slowing down and incremental capex was beginning to generate a declining multiplier factor on the margin, as was desired by most analysts, the budget has delivered this mega booster for a renewed consumption boost.

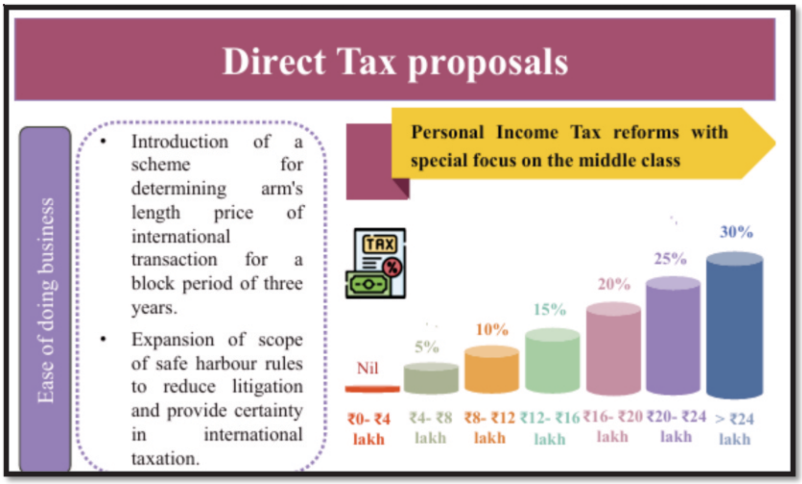
Key Takeaways

✓ **Govt has implemented several reforms for the convenience of taxpayers.**

✓ **Introduction of new Income Tax Act for ease of doing business and compliances during the Budget session.**

✓ **Now an individual can hold up to two self-occupied properties without any condition.**

✓ **There will be no income tax payable up to income of ₹ 12 lakh (i.e. average income of ₹ 1 lakh per month other than special rate income such as capital gains) under the new regime.**



MANAGEMENT DEVELOPMENT PROGRAMMES BY CDM - 2025-26

STRATEGIC MGT
02 - 07 JUN 25
40 VACANCIES

BIG DATA ANALYTICS
30 JUN - 05 JUL 25
40 VACANCIES

PROJECT MGT
25 - 30 AUG 25
42 VACANCIES

ORG BEHAVIOUR
08 - 13 SEP 25
37 VACANCIES

DEFENCE ACQ MGT
22 SEP - 04 OCT 25
35 VACANCIES

RESEARCH METHODOLOGY
17 NOV - 28 NOV 25
40 VACANCIES

JT RESOURCE MGT
05 - 17 JAN 26
40 VACANCIES

ORSA
02-14 FEB 26
42 VACANCIES

नैपुण्यात् विजयो ध्रुवम्

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